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STATE OF MONTANA
NORTHERN MONTANA COLLEGE

Reports on Examination of Financial Statements,
Student Aid, and the Housing and Dining System

Conducted Under Contract by
Galusha, Higgins and Galusha
Certified Public Accountants

Fiscal Year Ended June 30, 1979

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STATE OF MONTANA

Office of the Legislative Auditor



STATE CAPITOL
HELENA, MONTANA 59601
406/449-3122

MORRIS L. BRUSETT, C.P.A.
LEGISLATIVE AUDITOR

December 1979

ELLEN FEAVER, C.P.A.
DEPUTY LEGISLATIVE AUDITOR
JOHN W NORTHEY
STAFF LEGAL COUNSEL

The Legislative Audit Committee
of the Montana State Legislature:

Transmitted herewith is the report on the audit of Northern Montana College for the year ended June 30, 1979. Also included are reports on the audits of the college student aid programs (National Direct Student Loan Program, Economic Opportunity Grants Program, College Work Study Program, and State Student Incentive Grant Program) for fiscal years 1976-77, 1977-78 and 1978-79 and a report on the audit of the Northern Montana College Housing and Dining Bonds results of operations of related activities for fiscal years 1976-77, 1977-78 and 1978-79.

The audits were conducted by Galusha, Higgins and Galusha, CPA's, under a contract between the firm and our office. The comments and recommendations contained in these reports represent the views of the firm and not necessarily the Legislative Auditor.

The agency's written responses to the report recommendations are included in the back of the audit report.

Respectfully submitted,

A handwritten signature in cursive ink that appears to read "Morris L. Brusett".

Morris L. Brusett, C.P.A.
Legislative Auditor

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APPOINTIVE AND ADMINISTRATIVE OFFICIALS
BOARD OF REGENTS OF HIGHER EDUCATION

Honorable Thomas L. Judge, Governor*

Honorable Georgia Rice, Superintendent of Public Instruction*

Honorable John A. Richardson, Commissioner of Higher Education*

Shelly Hopkins, Student Regent	Missoula	1980
Leroy Evans, Jr.	Billings	1983
Mrs. Lola Hanson	Sidney	1984
Ted James, Chairman	Great Falls	1986
Jeff Morrison	Helena	1980
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*Ex-Officio members

NORTHERN MONTANA COLLEGE
LOCAL EXECUTIVE BOARD

Mrs. Sylvia Kofka	Havre	1981
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ADMINISTRATION

Dr. James H.M. Erickson
William R. Byers, Jr.
Keith Clawson

President
Director of Fiscal Affairs
Financial Aides Officer

SUMMARY OF RECOMMENDATIONS

As a separate section in the front of the College audit report we include a listing of all recommendations together with a notation as to whether the agency concurs or does not concur with each recommendation. This listing serves as a means of summarizing the recommendations contained in the report and the audited agency's reply thereto and also as a ready reference to the supporting comments. The full reply from Northern Montana College is included in the back of this report.

Review the system of internal control keeping in mind cost-benefit theory.

Agency Reply: Concur. See page 1 of Agency Reply.

The accounting policies and procedures pertaining to the operation of the auto-diesel repair service should be strengthened to provide greater control over this area.

Agency Reply: Concur. See page 1 of Agency Reply.

Establish a procedure that will provide for proper amortization of premiums and discounts on investments.

Agency Reply: Concur. See page 1 of Agency Reply.

Review inventory of supplies on hand as it relates to operating needs of the College.

Agency Reply: Concur. See page 1 of Agency Reply.

Assign fair market value to land received as a donation.

Agency Reply: Concur. See page 2 of Agency Reply.

Implement a property management control system.

Agency Reply: Concur. See page 2 of Agency Reply.

An in-depth review of property insurance currently in force be made to determine if adequate.

Agency Reply: Concur. See page 2 of Agency Reply.

Analysis of the payroll function in terms of providing for separation of duties and establishing accounting controls in this area.

Agency Reply: Concur. See page 2 of Agency Reply.

Consideration be given to utilization of a check list to assist in developing a good system of proper personnel file maintenance and documentation.

Agency Reply: Concur. See page 2 of Agency Reply.

All departments should be required to adhere to established policies and procedures pertaining to travel.

Agency Reply: Concur. See page 2 of Agency Reply.

The annual audit requirements of the bond indenture be enforced.

Agency Reply: Concur. See page 2 of Agency Reply.

Separate construction accounts be instituted for projects not related to Housing and Dining repair and replacement.

Agency Reply: Concur. See page 3 of Agency Reply.

A contingency plan be developed to provide for continuing data processing service in the event that unforeseen difficulties should develop. Adequate documentation of Data Processing system and a provision for off-premise storage of important files, programs, and system documentation be developed to ensure security of these items.

Agency Reply: Concur. See page 3 of Agency Reply.

Student Financial Aid

Establish an allowance for doubtful accounts and recognize the bad debt expense relating to uncollectible loans.

Agency Reply: Concur. See page 3 of Agency Reply.

The requirement that NDSL borrowers be supplied with a copy of fully executed promissory note be enforced.

Agency Reply: Concur. See page 3 of Agency Reply.

A system for monitoring and evaluating the financial aid program be developed to ensure that objectives are met.

Agency Reply: Concur. See page 3 of Agency Reply.

Adopt procedures which will provide for the College to make contact with NDSL borrowers during repayment grace period as is required by Federal regulation.

Agency Reply: Concur. See page 3 of Agency Reply.

Provide for proper supervision of work performed by students under College Work-Study program, and documentation that such supervision is taking place.

Agency Reply: Concur. See page 4 of Agency Reply.

Adopt a policy of permanent retention of "check pick-up" signature cards for financial aid awards made to students.

Agency Reply: Concur. See page 4 of Agency Reply.

The financial aid officer should review participant eligibility and indicate his approval on the status change memo before it is forwarded to data processing.

Agency Reply: Concur. See page 4 of Agency Reply.

A copy of the NDSL student loan ledger printout be maintained in fireproof container.

Agency Reply: Concur. See page 4 of Agency Reply.

The permanent mailing address of borrower be indicated on promissory note.

Agency Reply: Concur. See page 4 of Agency Reply.

Provide for the investment of excess cash in the NDSL Fund in income producing assets.

Agency Reply: Concur. See page 4 of Agency Reply.

**GALUSHA
HIGGINS &
GALUSHA**

HELENA, MONTANA

CERTIFIED PUBLIC ACCOUNTANTS
POST OFFICE BOX 1699
HELENA, MONTANA 59601

November 14, 1979

The Legislative Audit Committee
of the Montana State Legislature

We have examined the balance sheet of Northern Montana College as of June 30, 1979, and the related statements of changes in fund balances and current funds revenues, expenditures, and other changes for the year then ended. Except as explained in the following paragraphs, our examination was made in accordance with generally accepted standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

Our audit of the investment in Plant Fund was limited to a review of activity since the prior audit date of June 30, 1976 to June 30, 1979. A physical inventory of properties has not been taken by Northern Montana College for approximately 20 years. Due to the lack of a physical inventory of properties, the scope of our audit was limited to a review of activity for the period mentioned and did not include a review of accumulated balances.

We did not observe the taking of the physical inventory as of June 30, 1978, since that date was prior to our appointment as auditors for Northern Montana College, and we were unable to satisfy ourselves regarding inventory quantities by means of other auditing procedures.

In our opinion, except for the effects of such adjustments if any, as might have been determined to be necessary had we been able to observe the June 30, 1978 physical inventory, and except for the Plant Funds, the aforementioned financial statements present fairly the financial position of Northern Montana College at June 30, 1979, and the changes in fund balances and the current funds revenues, expenditures and other changes for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Because of the matter discussed in the second paragraph, the scope of our work regarding Plant Funds, was not sufficient to enable us to express, and we do not express, an opinion on the balance sheet of the Plant Fund as of June 30, 1979, and the related statements of changes in fund balances for the fiscal year then ended.

Galusha, Higgins, and Galusha
GALUSHA, HIGGINS AND GALUSHA
Certified Public Accountants

C O M M E N T S

General

Northern Montana College was established at Havre by the Thirteenth Legislative Assembly in 1913. It was initially called Northern Montana Agricultural and Manual Training School. In 1929, money was appropriated for the operation of the College and the College officially opened that September with an enrollment of eighty students. In 1932, the College moved from the Junior High School to its present campus location.

Northern Montana College is a co-educational institution and one of the six units of the Montana University System. Northern offers course-work leading to teaching certificates in elementary education, secondary education, and vocational-education. Master of Science degrees are awarded in elementary and vocational-technical education; Bachelor of Science degrees are awarded in elementary, secondary and vocational-technical education; Bachelor of Arts degrees are awarded in English and History; Bachelor of Technology degrees are awarded in automotive, construction, electronic, mechanical, drafting, trade, and technical; Associate degrees are awarded in engineering technology, nursing, arts and science.

The College is under the control and supervision of the seven-member Board of Regents of Higher Education. A three-member local executive advisory board is appointed by the governor.

The College is financed primarily by appropriations from the General Fund, the University Millage account and the student fee earmarked revenue account. Revenue is also generated from federal grants, private gifts and grants, and auxiliary enterprise operations.

Internal Control

The objective of internal accounting control is to provide reasonable, but not absolute, assurance as to the safeguarding of assets against loss from unauthorized use or disposition, and the reliability of financial records for preparing financial statements and maintaining accountability for assets.

The concept of reasonable assurance recognizes that the cost of a system of internal control should not exceed the benefits derived and also recognizes that the evaluation of these factors necessarily require estimates and judgments by management.

There are inherent limitations that should be recognized in considering the potential effectiveness of any system of internal control. In the performance of most control procedures, errors can result from misunderstanding of instructions, mistakes of judgment, carelessness, or other personal factors. Control procedures whose effectiveness depend upon segregation of duties can be circumvented by collusion. Similarly, control procedures can be circumvented intentionally by management with respect either to the execution and recording of transactions or with respect to the estimates and judgments required in the preparation of financial statements. Further, projection of any evaluation of internal control to future periods is subject to the risk that the procedures may become inadequate because of changes in conditions and that the degree of compliance with

the procedures may deteriorate.

In the comments that are to follow in this report, we have made specific comments and corresponding recommendations that pertain to specific areas of the College operations. In addition, we would like to make the following general comments for your consideration, as they pertain to the overall internal control over the operations of Northern Montana College.

1. Consideration should be given to adopting a policy whereby a limitation would be placed on the amount of funds that can be drawn by single signature checks. The banks should receive formal notice of this limitation.
2. The person who is responsible for reviewing and approving bank reconciliations should acknowledge this approval by signing or initialing and dating the reconciliations.
3. The responsibility for each petty cash or change fund should be vested in only one person, so that the line of responsibility for these funds is readily determinable.
4. Discussion as to the need for separation of duties in the payroll area is discussed in detail later in this report. The points listed below are listed to serve as a checklist of weaknesses to be corrected:
 - a. Authorizations for payroll changes should be maintained independently of and be inaccessible to persons who:
 - (1) maintain time and leave records
 - (2) prepare payrolls
 - (3) approve payrolls
 - (4) distribute paychecks
 - b. Someone other than the person or persons responsible for processing payroll should interview terminating employees as a check on departures, and as a final review of the termination settlement.
 - c. Salary warrants should be distributed by someone other than persons responsible for the preparation of payroll reports or persons who approve payroll additions.
 - d. Any W-2 forms which are returned by postal authorities should be forwarded for investigation directly to persons not otherwise involved in payroll activities for review and subsequent follow up.

Recommendation

We recommend that the College review their system of internal control in regard to the statements made above. When making this review, the basic theory that the cost of a system of internal control should not exceed the benefits derived.

Accounts Receivable - Auto Diesel Repair

The amounts due to the College in conjunction with services performed by the students studying auto-diesel repair are not being monitored or controlled on a regular basis. Our review of this area revealed that the accounting practices pertaining to this function are not adequate to ensure accuracy and collectibility of these receivables. The aging of the accounts receivable as it is reflected in the subsidiary detail as of June 30, 1979 reveals that approximately 56% of the total is a result of work performed in a fiscal year prior to the current fiscal year. This situation either indicates that the subsidiary detail is incorrect, or that the collection efforts have not been satisfactory. In discussions with College personnel, we were informed that efforts are being made at the present time to prepare a complete and accurate listing of the amounts due to the College as a result of the services performed in this area.

Recommendation

We recommend that written policies be established outlining specifically the procedures to be adhered to with regard to the services performed by students in this area. In addition we recommend that the accounting for this function be handled entirely by the business office. The written policies that we are recommending should address issues such as:

1. The detail accounting for the transactions from the "work order" stage to final payment by the customer for the services rendered,
2. Policy for granting credit to customers and mechanics for subsequent follow-up and collection,
3. Protection for the College from possible claims that may arise from damages attributable to faulty workmanship.

Investments

Premiums and discounts on bonds are not being amortized over the life of the bond. The effect of the premium or discount on income from investments is shown entirely in the year that the investment is disposed of or matures. This method of accounting for premiums and discounts distorts the matching of revenue to the proper period, and does not properly relate investment income to the appropriate bond portfolio for purposes of evaluating the overall success or failure of the investment portfolio.

Recommendation

We recommend that schedules be set up which will reflect proper premium and discount amortization on a monthly basis and that entries be made monthly to properly adjust for this amortization.

Inventories

The amount of business office supplies on hand, such as stationery, envelopes etc. appears to be excessive in terms of the operating needs of the College.

Recommendation

We recommend that procedures be established to provide control of the purchase function in this area in order to maximize the use of College resources.

Property, Plant and Equipment

The detail review that we performed in regard to this area revealed the following:

1. The City of Havre and the Havre Chamber of Commerce donated land to Northern Montana College and a value has not yet been assigned to this land to allow proper recording.
2. A physical inventory of all property has not been taken for quite some time.
3. A review of the insurance coverage currently in force indicated that perhaps the current coverage was not adequate.

Recommendation

We recommend that the College:

1. Assign a value to the land received as a donation. The value should be the fair market value at the time of the gift.
2. Implement a complete property management control system. This will involve taking a detailed physical inventory and setting up perpetual records which should be updated and kept current at all times. All equipment should be tagged with a proper identification number to allow easy reference to the perpetual records. A physical inventory of property and equipment should be taken each year and significant differences reported to management for resolution.
3. An in-depth review should be made of all insurance currently in force to determine that the College is properly protected from possible loss due to unforeseen events.

PAYROLL

General Payroll System

The expense for personal services, consisting of wages and related benefits, comprise a major portion of the overall College expenditures. Our review of the controls and procedures presently being used to administer this important phase of the operation, disclosed the following weaknesses:

1. An internal control weakness that was commented on in a prior audit report indicated that there was very little separation of duties. The current situation as it pertains to this weakness has not changed. The present payroll duties are being performed almost exclusively by one individual. The individual who has the responsibility of initiating the payroll process is the same individual that distributes the payroll warrants and W-2 forms to the employees.

- When the payroll warrants are processed monthly at the State, separate warrants are processed for the various payroll deductions that have been withheld from the employees' pay. The payroll clerk receives these warrants, matches them to the appropriate report to be filed and files them accordingly. In those instances where the reports that are filed are submitted on a quarterly basis, the payroll clerk is required to hold checks until such time as they can be filed with the appropriate report. Processing payroll withholding remittances in this manner increases the possibility of error, and also restricts the investment of excess funds unnecessarily.

Recommendation

We recommend that the duties to be performed in this area be reviewed and separation of duties be implemented in a manner which will improve internal controls. This could be accomplished by designating a person other than the payroll clerk or the cashier as the person to receive the warrants when they are delivered by the State. This person could compare the processed warrants to the final printout reviewing for completeness and accuracy, and finally distribute the warrants to the individual employees.

A review should be made of the present system for processing payroll warrants with the goal in mind of eliminating the need for the payroll clerk to hold warrants for payroll withholding pertaining to reports filed on a quarterly basis.

Maintenance of Personnel Files

An individual's personnel file is an extremely important part of the overall documentation process in regard to personnel policies. The personnel file should contain evidence of authorizations for amounts withheld from an employee's pay, information pertaining to circumstances involved with hiring, promotion, termination, or any other change in employee status which may be necessary to substantiate the College's position in regard to possible discrimination proceedings, and various other documents required either by the State or other regulatory body.

Recommendation

More care should be exercised in the maintenance and documentation of employee files. A check list which would detail the documents necessary for a complete and proper personnel file should be prepared and utilized as means to proper file maintenance.

Travel

When reviewing travel procedures and testing for compliance with established policies and procedures, it came to our attention that the policy of requiring the preparation of travel requisitions to obtain approval is not being adhered to in all situations. The violation that was noted during our testing, involved the Athletic Department and resulted in a travel invoice being paid twice by the College. The purpose of requiring these requisitions from a control standpoint is twofold. It is a safeguard against unauthorized travel and also serves as a control against duplicate payment of invoices.

Recommendation

We recommend that all departments be required to adhere to adopted policies and procedures pertaining to travel or that alternative policies and procedures be set up.

Bond Issues

The Housing and Dining System Indenture requires that an annual audit be performed and the report forwarded to the trustee no later than 90 days after the close of each fiscal year. The College has not complied with this requirement.

Recommendation

We recommend that the College comply with the terms of the indenture pertaining to annual audits.

At the present time, Renewal and Replacement Account for the Housing and Dining System is being used as a general clearing account for all construction projects being handled by the office of Architecture and Engineering.

Recommendation

Separate construction accounts should be set up to account for construction activity and the Housing and Dining System Renewal and Replacement Account should only be used as specified in the bond indenture.

Data Processing System

Northern Montana College utilizes the Statewide Budget and Accounting System to fulfill the major portion of their data processing needs and requirements. The College does however have their own in-house data processing system which is used to process payroll, cash receipts, journal vouchers, enrollment statistics and billing for NDSL and other student loans. A review was made of the data processing controls, and the following weaknesses were noted:

1. At the present time, there is no formal contingency plan established to provide an alternate location for resumption of operations following an unforeseen problem rendering the present system inoperable.
2. Due to under-staffing in the data processing area, the system documentation does not appear to be adequate.
3. The existence of remote terminals where access to the computer is available through the use of these terminals creates an access control problem. The College has acquired a program which will limit access to the computer through the use of these terminals, and is in the process of implementing these controls.

4. A policy to provide for off-premises storage of important files, programs and documentation to ensure security of these items does not exist.

We recommend that the college:

1. Develop contingency plans to establish an alternate location for resumption of operations following an unforeseen problem rendering the present system inoperable.
2. Give priority to system documentation.
3. Establish a policy for off-premises storage of important files, programs and documentation.

Student Financial Aid

Allowance for Uncollectible Loans - NDSL Program

The College has not established an allowance for uncollectible NDSL loans. Generally accepted accounting principals require that receivables be carried at no more than is reasonably expected to be realized and therefore, should be reduced by an allowance account to cover expected losses. Loans in the principal amount of \$42,602 were in default at June 30, 1979, of which \$20,859 were assigned/referred to and received by the United States. Accordingly, the NDSL assets, and the fund balances are overstated on the NDSL Program balance sheet as of June 30, 1979 and the related statement of changes in fund balances for the three year period then ended.

Recommendation

We recommend that the College establish an allowance for doubtful accounts and recognize the bad debt expense related to uncollectible loans.

Promissory Note - NDSL Program

Federal regulations require the College to supply NDSL borrowers with a copy of an open-end note when the borrower leaves the institution or is no longer in attendance as a half-time student. A copy of the note must be provided to the borrower annually. At the present time, the College does not provide NDSL borrowers with a fully executed copy of the promissory note.

Recommendation

Since the College utilizes an open-end note, we recommend that the College provide NDSL borrowers with a copy of the note at the time the exit interview is conducted. If borrowers leave the College without notice, a copy of the note should be mailed to them.

Self-Evaluation System

The College's self-evaluation review consists of reviewing and updating the Institutional Guide for Financial Aid Self-Evaluation and other financial aid program manuals on a yearly basis. A system has not been established to monitor and evaluate the program to ensure that their objectives are met. In addition, the questions in the Institutional Guide for Financial Aid Self-Evaluation have not been answered.

Recommendation

We recommend that the College either develop its own system to monitor and evaluate the financial aid program or make use of the Office of Education's self-evaluation system.

Contacting Borrower During Grace Period - NDSL Program

Federal regulations require the college to contact each NDSL borrower no less than three times during the 9 month grace period as follows: (1) 90 days into the grace period, (2) 180 days into the grace period, and (3) no less than 30 days preceding the due date of the first installment. The College hasn't contacted each borrower at least three times during the nine month grace period.

Recommendation

We recommend that the College establish procedures to contact each NDSL borrower at least three times during the nine month grace period as required by the Federal regulations.

Supervision of Students - College Work-Study Program

The College has not established procedures to determine if the work performed by each student under the College Work-Study Program is properly supervised.

Recommendation

We recommend that written procedures be established and documentation be kept on file ensuring that the work performed by students under the CWS Program is properly supervised and in accordance with Federal regulations.

Check Pick-up Signature Card

At registration time, the students sign a check pick-up signature card prepared by the Business Office upon receipt of the check. The card is placed in a basket and eventually filed in alphabetical order. For awards made after registration, students are required to sign a release form obtained from the Financial Aid Office and a check pick-up signature card. The release form and check pick-up signature card are finally thrown away.

Recommendation

We recommend that the check pick-up signature card be placed in alphabetical order at registration time and filed in the student's financial aid file as soon thereafter as possible. Before subsequent awards are made, the Financial Aid Office should check the student's file to determine if they previously picked up a check before preparing the release form.

Review of Deferment Forms

Completed deferment forms are reviewed and eligibility determined by the financial aid secretary. If a student is eligible, a status change memo is forwarded to data processing.

Recommendation

To strengthen internal control, we recommend that the financial aid officer review the eligibility of the participants and initial the status change memo before it is forwarded to data processing.

Safekeeping of Student Loan Ledgers - NDSL Program

The College's student loan ledgers are not maintained in a fireproof container. However, a summary of NDSL activity is kept in the Business Office's fireproof vault.

Recommendation

A summary of NDSL activity does not provide the necessary information to reconstruct the College's records if they were destroyed. Accordingly, we recommend that a copy of the student loan ledger printout be kept in the Business Office's fireproof vault.

Permanent Address of Borrowers - NDSL Program

The promissory note utilized by the College and the example set forth in the Federal regulations provide for the permanent address of the borrower. However, the College does not require that the borrower's permanent address be shown on the promissory note.

Recommendation

We recommend that the promissory note reflect the permanent mailing address of the borrower. This address should be obtained when the borrower signs the note.

Excess Cash - NDSL Program

The College has an excess cash balance in the NDSL Fund at June 30, 1979. This excess cash is not being invested in interest producing securities and management does not have a definite plan for utilizing the excess cash.

Recommendation

We recommend that management consider investing the excess cash in the NDSL Fund in interest producing securities. This would provide an additional source of funds for the College's share of contribution to the NDSL Fund.

Additional Problems or Weaknesses

We utilized the National Association of Student Financial Aid Administrator's (NASFAA) Institutional Guide for Financial Aid Self-Evaluation to identify additional problems or weaknesses in the financial aid operation. The problem or weaknesses notes were as follows:

1. The number of professional and support staff is not sufficient to perform the necessary tasks within normal working hours.

2. The Financial Aid Office is not conveniently located or accessible to handicapped students.
3. There isn't a division between the student reception area and the general office area.
4. A parental signature is not obtained for borrowers who are minors.
5. The College does not have a policy that defines "exceptional financial need" nor a procedure for giving preference for employment even though all CWS Program applicants have been provided a job in the past.

Prior Audit Recommendations

We reviewed the recommendations made in the prior audit report for the fiscal year ended June 30, 1976 for the College audit, the Bond audit, and the Financial Aid audit. Northern Montana College should be commended on their compliance with those recommendations. Staff and budget restrictions precluded implementation of many recommendations in the payroll area. We have made additional recommendations above which we feel are now practicable.

Final Comments

We have reviewed this report with the President and Vice-President of Northern Montana College, the Director of Fiscal Affairs, the Financial Aids Officer and, where applicable, the Business Office staff.

We wish to express our appreciation to the officials of Northern Montana College and to their staff for their outstanding cooperation and assistance during our engagement.

STATE OF MONTANA

NORTHERN MONTANA COLLEGE

FINANCIAL STATEMENTS

JUNE 30, 1979

NORTHERN MONTANA COLLEGE
 Balance Sheet
 June 30, 1979

ASSETS
Current Funds - Unrestricted

Education and General -	
Cash -	252,541
Held by State Treasurer	74,000
Held by College	<u>326,541</u>
Accounts receivable	6,874
Less allowance for doubtful accounts	<u>2,607</u>
	<u>4,267</u>
Auxiliary Enterprises -	
Cash -	42,655
Held by State Treasurer	990
Held by College	<u>43,645</u>
Accounts receivable	23,359
Less allowance for doubtful accounts	<u>4,527</u>
	<u>18,832</u>
Due from other fund groups	18,000
Inventories (Note 3)	123,247
Investments (Note 2)	<u>139,807</u>
	<u>343,531</u>
Designated -	
Cash -	57,978
Held by State Treasurer	25
Held by College	<u>58,003</u>
Accounts receivable	22,241
Less allowance for doubtful accounts	<u>7,154</u>
Inventories (Note 3)	15,087
Investments (Note 2)	17,328
Prepayments	14,915
	<u>55</u>
Total Current Funds -	<u>105,388</u>
Unrestricted	<u>779,727</u>

LIABILITIES AND FUND BALANCES
Current Funds - Unrestricted

Education and General -	
Accrued expenditures	245,516
Deferred revenue	30,510
Fund balances	<u>54,782</u>
	<u>330,808</u>
Auxiliary Enterprises -	
Accrued expenditures	32,619
Due to other fund groups	15,000
Property held in trust	14,377
Deferred revenue	165
Fund balances	<u>281,370</u>
Designated -	
Accrued expenditures	22,406
Due to other fund groups	18,000
Fund balances	<u>64,982</u>
	<u>343,531</u>
	<u>105,388</u>
	<u>779,727</u>

The accompanying notes are an integral part of these financial statements.

NORTHERN MONTANA COLLEGE
 Balance Sheet - Continued
 June 30, 1979

<u>ASSETS</u>		<u>LIABILITIES AND FUND BALANCES</u>	
<u>Current Funds - Restricted</u>	<u>Current Funds - Restricted</u>	<u>Current Funds - Restricted</u>	<u>Current Funds - Restricted</u>
Education and General -		Education and General -	23,152
Cash	53,098	Accrued expenditures	29,985
Accounts receivable	<u>13,832</u>	Unearned revenue	<u>13,793</u>
Total Current Funds -			
Restricted	<u>66,930</u>		<u>66,930</u>
TOTAL CURRENT FUNDS	<u><u>846,657</u></u>		<u><u>846,657</u></u>
<u>Loan Funds</u>		<u>Loan Funds</u>	
Cash - Held by State Treasurer	62,567	Accounts payable	330
Student loans receivable (Note 6)	<u>502,154</u>	Fund Balances:	
		Federal capital contributions	678,178
		Federal reimbursement to fund	7,296
		College capital contributions	78,009
		Private capital contributions	6,612
		Loan principal cancelled	(210,529)
		Loan interest cancelled	(26,056)
		Accumulated income	65,183
		Accumulated expenditures	(34,302)
		Fund Balances (Note 8)	
			<u>564,391</u>
			<u><u>564,721</u></u>
<u>Endowment Funds</u>		<u>Endowment Funds</u>	
Cash - Held by State Treasurer	1,040	Fund balance	<u>26,239</u>
Investments (Note 2)	<u>25,199</u>		
TOTAL ENDOWMENT FUNDS	<u><u>26,239</u></u>		<u><u>26,239</u></u>

The accompanying notes are an integral part of these financial statements.

NORTHERN MONTANA COLLEGE
Balance Sheet - Continued
June 30, 1979

<u>ASSETS</u>		<u>LIABILITIES AND FUND BALANCES</u>	
<u>Plant Funds</u>	<u>Plant Funds</u>	<u>Agency Funds</u>	<u>Agency Funds</u>
Unexpended -		Accrued expenditures	13,451
Cash - Held by State Treasurer	2,008	Receipts collected in advance	5,410
Accounts receivable	306	Fund balance	<u>124,406</u>
Investments (Note 2)	19,048		
Advances	68,531		
	<u>89,893</u>		
Renewal and Replacement -		Renewal and Replacement -	
		Fund balance	<u>352,261</u>
Retirement of Indebtedness -		Retirement of Indebtedness -	
		Fund balance	<u>250,072</u>
Investment in Plant -		Investment in Plant -	
		Bonds payable (Note 4)	3,098,000
Cash - Held by State Treasurer	3,320	Fund balance (Note 5)	<u>10,246,113</u>
Investments (Note 2)	246,752		
	<u>250,072</u>		
Investment in Plant -			
Land	470,449		
Buildings	9,457,354		
Equipment	3,077,406		
Construction in progress	338,904		
	<u>13,344,113</u>		
TOTAL PLANT FUNDS	<u>14,036,339</u>		
Agency Funds		LIABILITIES AND FUNDS HELD IN TRUST	
Cash -			
Held by State Treasurer	110,618		
Held by College	150		
Accounts receivable (net)	477		
Due from other fund groups	15,000		
Investments (Note 2)	17,022		
TOTAL AGENCY FUNDS	<u>143,267</u>		

The accompanying notes are an integral part of these financial statements.

NORTHERN MONTANA COLLEGE

Statement of Changes in Fund Balances
For The Year Ended June 30, 1979

	Current Funds			
	Unrestricted			
	<u>Education And General</u>	<u>Designated</u>	<u>Auxiliary Enterprises</u>	<u>Restricted</u>
Revenues and Other Additions:				
Unrestricted current fund revenues	3,258,913	205,064	930,805	
Gifts and bequests				30,705
Grants and contracts				306,489
Investment income				
Interest on loans receivable				
Capital contributions				
Misc. additions				
State construction appropriations				
Expended for plant facilities				
Endowment income				1,959
Total revenues and other additions	<u>3,258,913</u>	<u>205,064</u>	<u>930,805</u>	<u>339,153</u>
Expenditures and Other Deductions:				
Unrestricted current fund expenditures	3,219,852	193,657	805,861	
Restricted current fund expenditures				334,672
Loan cancellations and write-offs				
Administrative and collection costs				
Expended for plant facilities				
Retirement of indebtedness				
Interest on indebtedness				
Total expenditures and other deductions	<u>3,219,952</u>	<u>193,657</u>	<u>805,861</u>	<u>334,672</u>
Transfers Among Funds - Additions (Deductions):				
Mandatory:				
Principal and interest				(168,806)
Renewals and replacements				
Non-mandatory:				
For plant facilities			(35,000)	
Total transfers	-0-	-0-	<u>(203,806)</u>	-0-
Net increase (decrease) for the year	38,961	11,407	(78,862)	4,481
Fund balance at beginning of year	15,821	53,575	360,232	9,312
Fund balance at end of year	<u>54,782</u>	<u>64,982</u>	<u>281,370</u>	<u>13,793</u>

The Accompanying Footnotes are an Integral Part of These Financial Statements.

		Plant Funds			
Loan Funds	Endowment and Similar Funds	Unexpended	Renewals and Replacements	Retire- ment of Indebted- ness	Investment in Plant
6,238		1,286	42,502	1,745	
6,950	1,526				
3,986		26,779			
		327,435			484,901
<u>17,174</u>	<u>1,526</u>	<u>355,500</u>	<u>42,502</u>	<u>1,745</u>	<u>484,901</u>
9,497					
2,869		336,236		73,000	
				<u>94,806</u>	
<u>12,366</u>	<u>-0-</u>	<u>336,236</u>	<u>-0-</u>	<u>167,806</u>	<u>-0-</u>
				168,806	
<u>-0-</u>	<u>-0-</u>	<u>35,000</u>	<u>-0-</u>	<u>168,806</u>	<u>-0-</u>
<u>4,808</u>	<u>1,526</u>	<u>35,000</u>	<u>42,502</u>	<u>2,745</u>	<u>484,901</u>
<u>559,583</u>	<u>24,713</u>	<u>54,264</u>	<u>309,759</u>	<u>247,327</u>	<u>9,761,212</u>
<u>564,391</u>	<u>26,239</u>	<u>35,562</u>	<u>352,261</u>	<u>250,072</u>	<u>10,246,113</u>

NORTHERN MONTANA COLLEGE
Statement of Current Funds, Revenue
For the Year Ended June 30, 1979

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
<u>EDUCATION AND GENERAL</u>			
Tuition and Fees:			
Registration	59,238		59,238
Incidental	323,122		323,122
Non-resident	27,998		27,998
Application	19,464		19,464
Other	7,792		7,792
	<u>437,614</u>	<u>-0-</u>	<u>437,614</u>
Governmental Appropriations:			
State:			
General fund	2,298,455		2,298,455
Millage	508,718		508,718
	<u>2,807,173</u>	<u>-0-</u>	<u>2,807,173</u>
Governmental Grants and Contracts:			
Federal:			
Indirect cost recovery	14,126	-0-	14,126
Other grants and contracts	-0-	105,457	105,457
College work-study	-0-	57,348	57,348
Educational opportunity grants	-0-	6,797	6,797
	<u>14,126</u>	<u>169,602</u>	<u>183,728</u>
Governmental Grants and Contracts:			
State:			
State agencies		110,960	110,960
State student incentive grants		25,927	25,927
	<u>-0-</u>	<u>136,887</u>	<u>136,887</u>
Private Gifts, Grants and Contracts:			
Miscellaneous gifts		623	623
Scholarships		30,082	30,082
	<u>-0-</u>	<u>30,705</u>	<u>30,705</u>
Endowment Income:			
Other	<u>-0-</u>	<u>1,959</u>	<u>1,959</u>
Total education and general	<u>3,258,913</u>	<u>339,153</u>	<u>3,598,066</u>

NORTHERN MONTANA COLLEGE

Statement of Current Funds, Revenue - Continued
For The Year Ended June 30, 1979

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
AUXILIARY ENTERPRISES			
Student fees	77,587		77,587
Room charges	275,690		275,690
Board charges	334,597		334,597
Sales and services	224,107		224,107
Interest earnings	17,722		17,722
Other	1,102	-0-	1,102
Total auxiliary enterprises	930,805	-0-	930,805
DESIGNATED			
Continuing education fees	108,569		108,569
Sales and service	95,575		95,575
Other	920	-0-	920
Total designated	205,064	-0-	205,064
TOTAL CURRENT FUNDS, REVENUE	4,394,782	339,153	4,733,935

NORTHERN MONTANA COLLEGE
Statement of Current Funds, Expenditures, and Other Changes
For the Year Ended June 30, 1979

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
EDUCATION AND GENERAL			
Instruction	1,692,929	206,454	1,899,383
Public Service	12,372		12,372
Academic support	262,477	5,494	267,971
Student services	364,198	57,348	421,546
Institutional support	342,468		342,468
Operation of plant	448,644	504	449,148
Scholarships and fellowships	96,864	64,872	161,736
Total education and general	<u>3,219,952</u>	<u>334,672</u>	<u>3,554,624</u>
AUXILIARY ENTERPRISES			
Housing and dining system	723,514		723,514
Parking lot	3,239		3,239
Armory gymnasium	-0-		-0-
Athletics	28,805		28,805
Faculty housing	16,232		16,232
Other auxiliaries	33,709		33,709
Total auxiliary enterprises	<u>805,499</u>	<u>-0-</u>	<u>805,499</u>
DESIGNATED			
Workshops and seminars	3,087		3,087
Outdoor education	5,086		5,086
Gym activities	11,592		11,592
Extension courses	36,703		36,703
Malmstrom resident center	63,784		63,784
Auto diesel repair	73,405		73,405
Total designated	<u>193,657</u>	<u>-0-</u>	<u>193,657</u>
MANDATORY TRANSFERS			
Auxiliary - debt service	168,806		168,806
NON-MANDATORY TRANSFERS			
Auxiliary - unexpended plant	35,000		35,000
Total transfers	<u>203,806</u>	<u>-0-</u>	<u>203,806</u>
TOTAL CURRENT FUNDS, EXPENDITURES AND OTHER CHANGES			
	<u>4,422,914</u>	<u>334,672</u>	<u>4,757,586</u>

NORTHERN MONTANA COLLEGE
NOTES TO CONDENSED FINANCIAL STATEMENTS
JUNE 30, 1979

Note 1 - Summary of Significant Accounting Policies

ACCRUAL BASIS

The Financial Statements of Northern Montana College have been prepared generally on the accrual basis except for depreciation accounting. The statement of current funds revenue, expenditures and other changes is a statement of financial activities of current funds related to the current reporting period and does not purport to present the results of operations or the net income or loss for the period as would a statement of income or a statement of revenues and expenditures. The Financial Statements are not comparable in certain respects with those issued in prior years due to revisions made to adhere with appropriate accounting principals and reporting guidelines.

FUND ACCOUNTING

The accompanying financial statements are prepared in accordance with the principles of "fund accounting" wherein resources are classified for accounting purposes into funds that are identified by the limitations and restrictions placed upon their use. These separate funds are then combined according to their common characteristics into fund groups (each an accounting entity complete with a self-balancing set of accounts) and reflected by fund groups in the accompanying financial statements.

Description of the common characteristics of the funds in the various fund groups are as follows:

CURRENT FUNDS -

The current funds group includes economic resources expendable in performing the primary objectives of the institutions; i.e., Instruction, and Public Service. The current funds group has two basic distinct sub-groups. Unrestricted funds which have no external expenditure restrictions, and restricted funds which have external expenditure restrictions.

LOAN FUNDS -

This group of resources is available to aid in financing qualifying students education. Private as well as University sources provide some loan funds, however, the Federal Government contributes the large majority.

ENDOWMENT FUNDS -

Endowment funds are resources with specific restrictions negating the expenditure of the principal; usually income on endowment principal may be expended or added to the principal depending on donor stipulations.

PLANT FUNDS -

Plant Funds are separated into four distinct sub-groups with self-balancing accounts:

Summary of Significant Accounting Policies

Unexpended Plant Funds - utilized for acquisition of long-term institutional assets.

Renewals and Replacement Funds - utilized for long-term institutional asset maintenance.

Retirement of Indebtedness Funds - utilized for debt service charges and retirement of indebtedness on long-term institutional assets.

Investment in Plant - denotes the cost of long-term institutional assets and associated liabilities.

AGENCY FUNDS -

The agency funds group is used to segregate assets held by the institution as a custodian or fiscal agent for other organizations or individuals.

Procedures, policies and standards governing the presentation of the contained financial statements presentations were obtained from College and University Business Administration.

APPROPRIATIONS

Appropriations in the general fund are made by the Legislature for operating purposes of Northern Montana College. Expenditures against these appropriations are funded by corresponding funds at the state level. Unexpended or unencumbered balances in these appropriations revert to the respective state funds at year end.

VACATION PAY AND SICK PAY

The value of unused vacation and unused sick leave accumulated by employees is not recorded as a liability. Each permanent employee can accumulate and carry over a maximum of two years vacation into a new calendar year. Unused accumulated vacation is redeemed in cash upon termination of employment. Upon termination, unused sick leave earned since July 1, 1971, is purchased from the employee at 25% value. The amount of accumulated leave at June 30, 1979, was not readily available.

ALLOWANCE FOR UNCOLLECTIBLE ACCOUNTS

Uncollectible student accounts are not recognized until the accounts are written off or canceled. The college bills students regularly for one academic quarter, then turns the accounts over to the Montana Department of Revenue for collection. The accounts are written off as uncollectible when they are given to the Department of Revenue. Generally accepted accounting principles require the establishment of an allowance for uncollectible accounts.

Note 2 - Investments

All investments are recorded at cost. Investment income is generally recorded when received. The investments of Northern Montana College consist primarily of amounts invested through the Montana State Board of Investments using its Short Term Investment Pool and United States Treasury Bills.

Investments owned by the several funds at June 30, 1979, are as follows:

	<u>Cost</u>	Market or <u>Unit Value</u>
Current Unrestricted Funds:		
Auxiliary Enterprises	139,807	141,169
Designated	14,915	15,018
Endowment Fund	25,199	25,028
Plant Funds:		
Unexpended	19,048	19,023
Renewal and replacement	336,970	348,672
Retirement of indebtedness	246,752	257,964
Agency Funds	17,022	17,020
Total	<u>799,713</u>	<u>823,894</u>

Note 3 - Inventories

Inventories included are the Bookstore, Central Food Service and the College Central Stores. All recorded inventories are stated at cost using the first-in first-out method.

Note 4 - Bonds Payable

At June 30, 1979 the College had a total of \$3,098,000 in outstanding revenue bonds payable. These bonds were issued for construction of various College facilities and are summarized as follows:

-Armory Gym - \$2,000 outstanding - all bonds have been called but as of June 30, 1979, two \$1,000 bonds have not been redeemed. No interest is accruing on these bonds.

-Housing & Dining System - \$3,096,000 outstanding - for the construction of Mens' Dormitory, Womens' Dormitory, Married Student Apartments, Central Food Service and Student Union.

They are due in varying annual installments (on October 1) through 2018. The College records interest expense on the above bonds when paid. The recognition of accrued interest expense would not have a material effect on the College's overall financial position.

Collateral for retirement of bonds payable consists of:

- (a) First lien on and pledge of net revenues to be derived from the operation of the Northern Montana College Housing and Dining System which consists of:
 - 1. New Womens' Dormitory
 - 2. Student Union building, including centralized food service
 - 3. Dormitories, Morgan Hall and Donaldson Hall
 - 4. Married Student Housing
- (b) First lien on and pledge of the Student Union Building fee (must be at least \$20.00 per quarter after 1974).

Note 5 - Investment in Plant

Investment in plant represents an accumulation of the cost of purchased assets net of trade-in amounts. Property disposed of is not deleted from accounting records. Gifts are recorded at market value when received. Northern Montana College has not maintained adequate records of its fixed assets. Assets purchased are recorded as expenditures in the various funds in the year of purchase or encumbrance. Depreciation on Physical Plant and Equipment is not recorded.

Note 6 - Allowance for Uncollectible Loans - NDSL & NSL

Uncollectible NDSL and NSL loans are not recognized until the loans are canceled or written off in conformity with applicable program requirements. Generally accepted accounting principles require the establishment of an allowance for uncollectible loans. The amounts of these uncollectible loans is immaterial in relation to the financial statements taken as a whole.

Note 7 - Retirement Plan

The State of Montana employees at Northern Montana College are eligible to enroll in one of two contributing retirement plans, the Public Employees Retirement System and the Teachers Retirement System. Employer contributions for the year ended June 30, 1979 for PERS for all funds were \$46,713. Employer contributions for the year ended June 30, 1979 for TRS for all funds were \$113,031. The unfunded past service costs and the actuarially computed value of vested benefits are not readily available for members of the plans employed by Northern Montana College.

Note 8 - Loan Fund Balances

The loan fund balance at June 30, 1979 are as follows:

Short term loan fund	6,611
National Direct Student Loan Fund:	
Non-capital deficit	(185,160)
Capital:	
Federal contribution	584,880
College contribution	<u>67,643</u> 467,363
Nursing Student Loan Fund:	
Non-capital deficit	(13,248)
Capital:	
Federal contribution	93,298
College contribution	<u>10,367</u> <u>90,417</u>
Total	<u>564,391</u>

NORTHERN MONTANA COLLEGE
Havre, Montana 59501

Report on Examination of Financial Statements

National Direct Student Loan Program (NDSL)

College Work-Study Program (CWS)

Supplemental Educational Opportunity Grants Program (SEOG)

State Student Incentive Grants Program (SSIG)

Basic Educational Opportunity Grants Program (BEOG)

Entity Number 1-816001663-A1

As of and For the Three Year Period

Ended June 30, 1979

September 21, 1979

NORTHERN MONTANA COLLEGE
Havre, Montana
June 30, 1979

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NORTHERN MONTANA COLLEGE

Havre, Montana

June 30, 1979

INTRODUCTION

Background

The Northern Montana College, Havre, Montana, is an institution of higher education and was approved on February 1, 1959, by the Office of Education for participation in the Student Financial Aid Programs. Our examination of the National Direct Student Loan Program, College Work-Study Program, Supplemental Education Opportunity Grants Program, State Student Incentive Grants Program and Basic Educational Opportunity Grant Program of the Northern Montana College, for the years ended June 30, 1977, 1978 and 1979, was directed toward the objectives set forth in the audit guides dated June 1978 and July 1978, prepared by the Department of Health, Education and Welfare, the supplemental information provided in the July 1979 issue of the BSFA Bulletin, and NASFAA Federal Monitor #27.

National Direct Student Loan (NDSL) Program:

On February 1, 1969, the College entered into an agreement to establish a NDSL Program under Title II of the National Defense Education Act of 1958, as amended, which was transferred in 1972 to Part E of Title IV of the Higher Education Act of 1965, as amended. The records of the institution indicate that loans aggregating \$1,060,190 have been made to 1,073 students since the establishment of the program at the College. At June 30, 1979, approximately 4.8% of student loans receivable in repayment status were in default, ranging from 120 days to over 2 years past due.

College Work-Study (CWS) Program:

On January 25, 1965, the college established the CWS Program pursuant to Title I, Part C of the Economic Opportunity Act of 1964 which was transferred in 1972 to Title IV, Part C, of the Higher Education Act of 1965, as amended. The participation in and the award authorization for the CWS Program for the periods being audited were as follows:

	Academic Year		
	1976-77	1977-78	1978-79
Students participating in the program	98	124	117
Expenditures for wages:			
Federal Funds	\$44,586	\$52,626	\$56,831
College Funds	\$13,434	\$14,214	\$16,332
Amount of award authorized	\$52,033	\$55,299	\$57,348

Supplemental Education Opportunity Grants (SEOG) Program:

The SEOG Program was established at the College on March 24, 1966, under Title IV, Part A, of the Higher Education Act of 1965, as amended. The participation in and award authorization for the SEOG Program for the periods being audited were as follows:

	Academic Year		
	1976-77	1977-78	1978-79
Students participating in the program	57	15	21
Awards made from Federal Funds	\$24,933	\$5,700	\$6,316
Amount of award authorized	\$19,870	\$5,943	\$6,416

State Student Incentive Grants (SSIG) Program:

The College became a participant in the SSIG Program on July 1, 1975. The participation in and allotments for the SSIG Program for the periods being audited were as follows:

	Academic Year		
	1976-77	1977-78	1978-79
Students participating in the program	17	58	44
Awards made to students	\$6,158	\$15,564	\$15,602
Amount of allotment:			
Federal share	\$3,079	\$ 7,932	\$ 7,932
State appropriation	\$3,079	\$ 7,932	\$ 7,932

Basic Educational Opportunity Grant (BEOG) Program:

The College entered into an agreement with the Office of Education on July 1, 1973, to participate in the BEOG Program. This program provides eligible students with a foundation of financial aid to help defray the costs of postsecondary education. The participation in and award authorization for the BEOG Program for the periods being audited were as follows:

	Academic Year		
	1976-77	1977-78	1978-79
Students participating in the program	346	386	300
Awards made to students	\$239,999	\$255,995	\$219,639
Amount of award authorized	\$239,949	\$254,704	\$218,373

The College officials responsible for overall administration of the programs are the Treasurer and the Director of Student Financial Aid.

The Financial Aid Office is responsible for application processing and loan approvals as well as the school's compliance with the various U.S. Office of Education regulations governing the school's participation in Federal and state student financial aid programs.

The Treasurer's Office is responsible for the program's financial management, general ledger accounting, payments, collections, and quarterly financial reports of the Loan Fund.

During the audit period, the institution received other student financial aid funds as shown below:

	Academic Year		
	<u>1976-77</u>	<u>1977-78</u>	<u>1978-79</u>
Private scholarship programs	\$41,717	\$29,658	\$30,082
Interest from private endowment fund available for scholarships	\$ 1,315	\$ 1,720	\$ 1,959

Scope of Audit

Our audit of the National Direct Student Loan Program, College Work-Study Program, Supplemental Educational Opportunity Grants Program, State Student Incentive Grants Program and Basic Educational Opportunity Grant Program was performed in accordance with the financial and compliance elements of the "Standards for Audit of Governmental Organizations, Programs, Activities and Functions" issued by the U.S. Comptroller General in June 1972 (1974 reprint), the guides prescribed by the Department of Health, Education and Welfare dated June 1978 and July 1978, the supplemental information provided in the July 1979 issue of the BSFA Bulletin, and NASFAA Federal Monitor #27. The purpose of the audit was to formulate an opinion on the basic financial statements taken as a whole and to determine if these programs were administered in accordance with applicable laws, regulations, terms of agreements, and OE directives which are set forth in the audit guides and supplementary information.

The audit included:

1. Expressing an opinion on the Balance Sheets, related Statement of Changes in Fund Balances, supplementary schedules, and Section III, "Status of Authorization" - Column A, of the June 30, BEOG Program Reports.
2. Ascertaining whether expenditures claimed for funding on the above financial statements are fairly presented in accordance with generally accepted accounting principles applied on a consistent basis and requirements set forth in the audit guides and supplementary information.
3. Evaluation of the institution's policies, procedures, and practices used to administer the program.
4. Determination of compliance with applicable sections of the acts, related Federal regulations, and Office of Education policies and procedures.
5. Evaluation of the institution's system of internal control, accounting, and reporting, and the controls maintained in the operation of an accounting for the funds provided for the program.
6. Reconciliation of the information reported on the appropriate financial statements, with OE Forms 1152-2, 1152-3 and 1152-4 for the year ended June 30, 1977, and OE Form 646 for the fiscal years ended June 30, 1978 and 1979.

The audit covered the period July 1, 1976 through June 30, 1979, and field work was performed during the period August 6, 1979 through August 10, 1979, and August 27, 1979 through September 21, 1979, at the institution's business and student financial aid offices.

NORTHERN MONTANA COLLEGE

Havre, Montana

June 30, 1979

HIGHLIGHTS OF AUDIT RESULTS

Our qualified opinion on the basic financial statements appears elsewhere in this report. During our audit, nothing came to our attention which caused us to believe that Northern Montana College had not generally administered its student aid programs (NDSL, CWS, SEOG, SSIG and BEOG) in accordance with the DHEW Federal Regulations, and directives cited in the HEW Audit Guides for the student aid programs. However, certain aspects of the institution's management of student aid programs were in need of improvement, specifically: (1) NDSL borrowers are not provided with a fully executed copy of the promissory note; (2) the Institutional Guide for Financial Aid Self Evaluation developed and published by the National Association of Student Financial Aid Administrators is not properly utilized to evaluate the institution's policies and procedures; (3) the institution does not contact each NDSL borrower at least 3 times during the 9 month grace period; (4) the institution has not established procedures to determine that work performed by students participating in the CWS Program is properly supervised; (5) improvement is needed in the process concerned with disbursing funds to students during and after registration time; (6) the system of checks and balances needs to be strengthened so that no person will be directly responsible for various administrative procedures; (7) the institution's loan ledger is not kept in a fireproof container; (8) NDSL borrower's permanent address isn't always reflected on the promissory note; and (9) management does not have a definite plan for utilizing the excess cash balance in the NDSL Fund at June 30, 1979. These matters are discussed more fully under the "Findings and Recommendations" section of this report, see pages 37 through 40.

Confirmation Program Results

As part of our audit, we obtained confirmations from selected students on BEOG awards, SEOG awards, SSIG awards, students participating in the CWS Program and student NDSL loan balances. The confirmations mailed represent about 10% of the total number of students receiving student aid funds. The results of our confirmation circularization were as follows:

	Academic Year		
	1976-77	1977-78	1978-79
Confirmation letters mailed	52	55	116
Confirmation letters returned without exception	30	30	84
Confirmation letters returned with exception which were subsequently resolved	0	1	0
Confirmation letters returned by the Post Office with the notation "moved, left no address" or "addressee unknown, return to sender"	3	1	5
Confirmation letters not returned	19	23	26

The exception on the confirmation letter for the academic year 1977-78 was a BEOG award which the student didn't recall receiving. We compared the student's signature on the confirmation letter to the signature on the verification of payment form. The signatures appeared to be the same.

Our opinion on the financial statements and schedules is located on pages 6 and 7.

**GALUSHA
HIGGINS &
GALUSHA**

HELENA, MONTANA

CERTIFIED PUBLIC ACCOUNTANTS
POST OFFICE BOX 1699
HELENA, MONTANA 59601

September 21, 1979

Legislative Audit Committee
of the Montana State Legislature

We have examined the balance sheets of the National Direct Student Loan (NDSL), College Work-Study (CWS) and Supplemental Educational Opportunity Grants (SEOG) Programs of Northern Montana College, Havre, Montana, as of June 30, 1979, and the NDSL, CWS, SEOG, State Student Incentive Grants (SSIG) and Basic Educational Opportunity Grants (BEOG) Programs statements of changes in fund balances for the three year period then ended. Our examination was made in accordance with the financial and compliance elements of the Standards for Audits of Governmental Organizations, Programs, Activities and Functions, issued by the U.S. Comptroller General in 1972 (1974 reprint). Accordingly, we conducted such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. The Guide for Audits of NDSL, CWS and SEOG Programs, Department of Health, Education, and Welfare, dated July 1978; and the supplemental information provided in the July 1979 issue of the BSFA Bulletin, and NASFAA Federal Monitor #27 were used as a guide in the examination. The balance sheets and the related statements of changes in fund balances for the NDSL, CWS, SSIG and SEOG Programs of Northern Montana College for the year ended June 30, 1976, were examined by other auditors whose opinion, dated May 26, 1977, on those statements was qualified as being subject to any adjustments to the financial statements which may result from loan losses as indicated in Note 1 to the financial statements.

Cumulative information for the period January 1959 through June 30, 1979, presented in the statement of changes in fund balances, in the supplemental analysis of student loans receivable of the NDSL Program, and computation of the NDSL default rate is based, in part, on prior years' financial statements that were not examined by us. Accordingly, we do not express an opinion on such cumulative information.

As more fully described in Note 1 to the financial statements, an allowance for uncollectible loans has not been established by the College. In our opinion, generally accepted accounting principles require that such an allowance be included in the NDSL Program balance sheet.

In our opinion except for the cumulative information for the period from January 1959 through June 30, 1979, and the effects of not establishing an allowance for uncollectible loans, as discussed in the preceding paragraphs, the financial statements referred to above present fairly the financial position of the NDSL, CWS and SEOG Programs of Northern Montana College at June 30, 1979, and the changes in fund balances of the NDSL, CWS, SSIG, SEOG and BEOG Programs for the three year period then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

Our examination was made primarily for the purpose of formulating an opinion on the financial statements referred to above as of and for the three year period ended June 30, 1979, taken as a whole, and was not directed toward formulating an opinion on the balance sheets at June 30, 1977 and 1978, or the statements of changes in fund balances for the individual years ended June 30, 1977, 1978 and 1979. The supplementary data included in Schedules 1 through 11, are presented for supplementary analysis purposes and are not necessary for a fair presentation of the financial position as of June 30, 1979 and the changes in fund balances for the three year period then ended. The supplementary data included in Schedules 1 and 3, except where otherwise indicated, have been subjected to the auditing procedures applied in the examination of the basic financial statements and, in our opinion, are stated fairly in all material respects only when considered in conjunction with the financial statements of the NDSL, CWS, SSIG, SEOG and BEOG Programs taken as a whole. The supplementary data included in Schedule 2 and Schedules 4 through 11 were not audited by us, and accordingly we do not express an opinion on them.

Galuska, Higgins and Galuska

GALUSKA, HIGGINS AND GALUSKA
Certified Public Accountants

NORTHERN MONTANA COLLEGE
Havre, Montana

NATIONAL DIRECT STUDENT LOAN PROGRAM
BALANCE SHEET, JUNE 30, 1979

ASSETS

Cash on hand and in depository	57,237
Student loans receivable (See Schedule 1) (Note 1)	410,126
TOTAL ASSETS	<u>467,363</u>

LIABILITIES AND FUND BALANCES

Liabilities	-0-
Fund Balances (Deficit)	
Capital:	
Federal contributions	584,880
State contributions	67,643
Noncapital deficit (Exhibit A-1)	<u>(185,160)</u>
Total Fund Balances	467,363
TOTAL LIABILITIES AND FUND BALANCES	<u>467,363</u>

NORTHERN MONTANA COLLEGE
Havre, Montana

COLLEGE WORK STUDY PROGRAM
BALANCE SHEET
JUNE 30, 1979

ASSETS

Cash	-0-
TOTAL ASSETS	<u>-0-</u>

LIABILITIES AND FUND BALANCES

Liabilities	-0-
Fund balance	-0-
TOTAL LIABILITIES AND FUND BALANCE	<u>-0-</u>

NORTHERN MONTANA COLLEGE
Havre, Montana

COLLEGE WORK STUDY PROGRAM
STATEMENT OF CHANGES IN FUND BALANCE
THREE YEAR PERIOD ENDED JUNE 30, 1979

Additions:

Total grant award authorization	164,680
---------------------------------	---------

Deduct:

Amount of grant award not requested or deposited	<u>14,834</u>
--	---------------

Balance - Funds provided by Federal Government	149,846
Add - Funds provided by institution	<u>47,500</u>

Total Funds Provided	<u>197,346</u>
----------------------	----------------

Deductions:

Wages:

On Campus:	
Federal share	128,116
Institutional share	36,497

Off Campus:	
Federal share	26,064
Institutional share	<u>10,426</u>
	201,103

Administrative expenses	<u>5,814</u>
-------------------------	--------------

Total Deductions	<u>206,917</u>
------------------	----------------

Net (decrease) for the period	(9,571)
Fund Balance, beginning of period	<u>9,571</u>
Fund Balance, end of period	<u>-0-</u>

Except for the adjustments discussed in the schedule "Reconciliation of the Statement of Changes in Fund Balance with OE Fiscal Operations Reports" (Schedule 10), the amounts reported on the Statement of Changes in Fund Balance for the CWS Program agree with the amounts reported on the Office of Education Fiscal Operations Reports OE form 1152-4 and OE form 646.

NORTHERN MONTANA COLLEGE
Havre, MontanaSUPPLEMENTAL EDUCATIONAL OPPORTUNITY GRANTS PROGRAM
BALANCE SHEET
JUNE 30, 1979ASSETS

Cash	381
TOTAL ASSETS	<u>381</u>

LIABILITIES AND FUND BALANCES

Liabilities	-0-
Fund balance	381
TOTAL LIABILITIES AND FUND BALANCE	<u>381</u>

NORTHERN MONTANA COLLEGE
Havre, Montana

SUPPLEMENTAL EDUCATIONAL OPPORTUNITY GRANTS PROGRAM
STATEMENT OF CHANGES IN FUND BALANCE
THREE YEAR PERIOD ENDED JUNE 30, 1979

Additions:

Total grant award authorization	32,229
---------------------------------	--------

Deduct:

Amount of grant award not requested or deposited	<u>4,562</u>
--	--------------

Balance - Funds provided by Federal Government	27,667
Add - Funds transferred from CWS Program	<u>5,063</u>

Total Additions	<u>32,730</u>
-----------------	---------------

Deductions:

Initial awards	19,251
Continuing awards	17,698
Administrative expense	<u>224</u>

Total Deductions	<u>37,173</u>
------------------	---------------

Increase (decrease) during the period	(4,443)
Fund Balance, beginning of period	4,824
Fund Balance, end of period	<u><u>381</u></u>

The amounts reported on the Statement of Changes in Fund Balance for the SEOG Program agree with the amounts reported on the Office of Education Fiscal Operations Reports OE form 646.

NORTHERN MONTANA COLLEGE
Havre, MontanaSTATE STUDENT INCENTIVE GRANT PROGRAM
BALANCE SHEET
JUNE 30, 1979ASSETS

Cash	262
TOTAL ASSETS	<u>262</u>

LIABILITIES AND FUND BALANCES

Liabilities	-0-
Fund balances	262
TOTAL LIABILITIES AND FUND BALANCE	<u>262</u>

NORTHERN MONTANA COLLEGE
Havre, MontanaSTATE STUDENT INCENTIVE GRANT PROGRAM
STATEMENT OF CHANGES IN FUND BALANCE
THREE YEAR PERIOD ENDED JUNE 30, 1979

Additions:

SSIG allotments:	
Federal share	18,943
State appropriations	<u>18,943</u>
 Total Additions	 37,886

Deduct:

Awards	<u>37,624</u>
 Increase (decrease) during the period	 262
Fund Balance, beginning of period	<u>-0-</u>
Fund Balance, end of period	<u>262</u>

NORTHERN MONTANA COLLEGE
Havre, Montana

BASIC EDUCATIONAL OPPORTUNITY GRANT PROGRAM
STATEMENT OF CHANGES IN FUND BALANCE
FOR THE PERIOD ENDED JUNE 30,

	1977	1978	1979
Additions:			
Current OE approved authorization	239,949	254,704	218,373
Awards in excess of authorization	<u>51</u>	<u>8,561</u>	<u>28,575</u>
Total Additions	240,000	263,265	246,948
Deduct:			
Funds not requested	-0-	-0-	-0-
Total Funds Provided	<u>240,000</u>	<u>263,265</u>	<u>246,948</u>
Deductions:			
Gross awards to students	241,427	255,995	219,639
Less recoveries	<u>1,428</u>	<u>1,295</u>	<u>1,136</u>
Total Deductions	<u>239,999</u>	<u>254,700</u>	<u>218,503</u>
Net increase (decrease) for the period	1	8,565	28,445
Fund Balance, beginning of period	<u>2,704</u>	<u>2,705</u>	<u>11,270</u>
Fund Balance, end of period	<u>2,705</u>	<u>11,270</u>	<u>39,715</u>

Except for the adjustments discussed in the schedule "Reconciliation of the Statement of Changes in Fund Balances with OE Progress Reports" (Schedule 11), the amounts reported on the Statement of Changes in Fund Balances for the BEOG Program agree with the amounts reported on the Office of Education Progress Reports, OE form 255-3.

NORTHERN MONTANA COLLEGE
Havre, Montana

BASIC EDUCATIONAL OPPORTUNITY GRANT PROGRAM
ANALYSIS OF BEOG FUNDS
FOR THE PERIOD ENDED JUNE 30,

<u>SOURCE OF FUNDS</u>	1977	1978	1979
Beginning balance	2,704	2,705	11,270
Add: Letter of credit draws	<u>240,000</u>	<u>263,265</u>	<u>246,948</u>
Total BEOG Funds Available	<u>242,704</u>	<u>265,970</u>	<u>258,218</u>
<u>FUNDS APPLIED</u>			
BEOG awards paid during the period	241,427	255,995	219,639
Less: Recoveries from recipients	<u>1,428</u>	<u>1,295</u>	<u>1,136</u>
Net funds applied during the period	<u>239,999</u>	<u>254,700</u>	<u>218,503</u>
Excess funds at end of period	<u>2,705</u>	<u>11,270</u>	<u>39,715</u>

Institutional PROGRESS REPORT for
Basic Educational Opportunity Grants.

Academic Year 1977-78

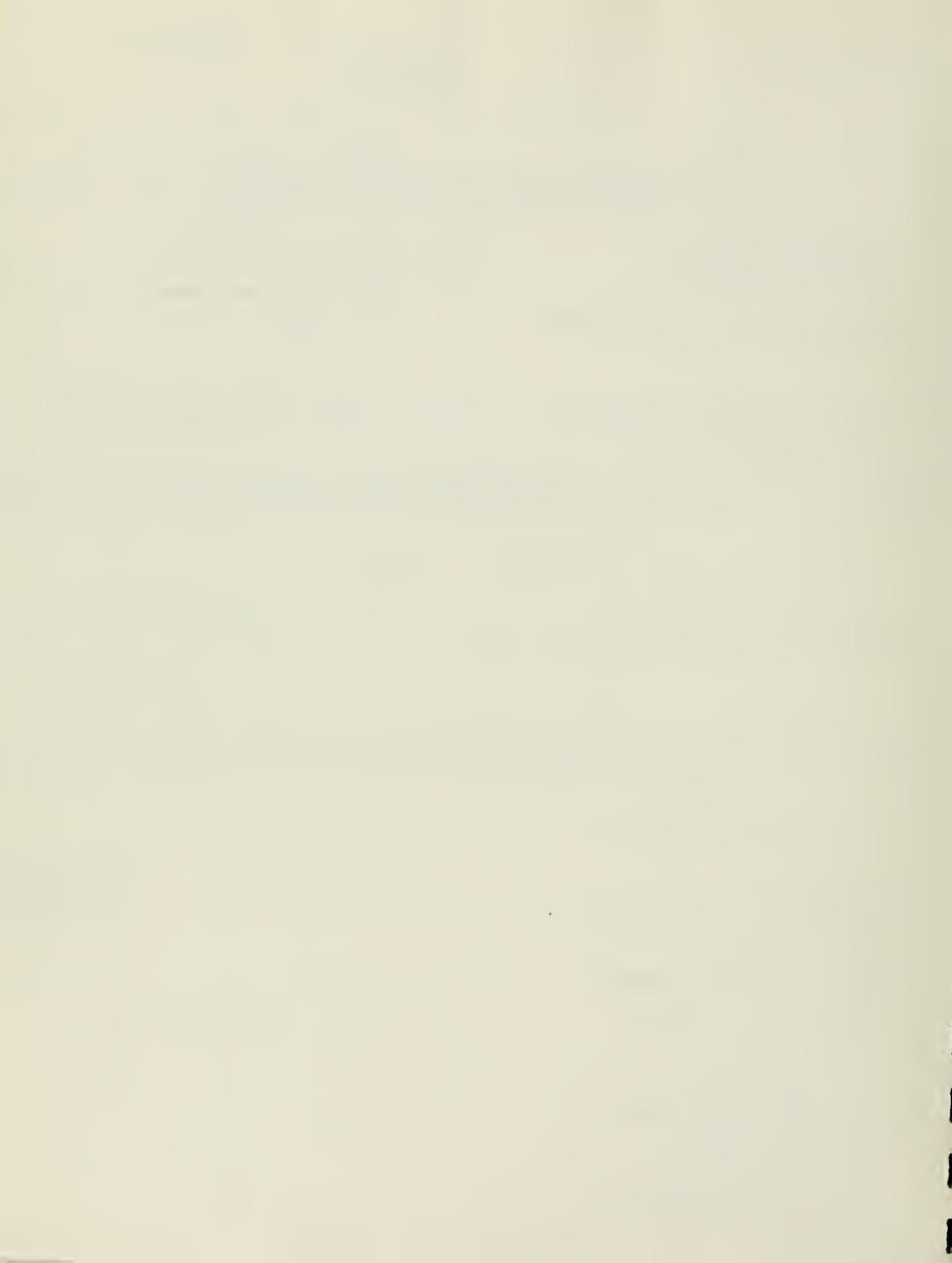
DEPARTMENT OF HEALTH,
EDUCATION, AND WELFARE
OFFICE OF EDUCATION
Washington, D.C. 20202

EXHIBIT G
PLEASE read instructions before
completing this form

FORM APPROVED
OMB NO. 51-RJ932

(1-6) 1. BEOG ID NO.: 675928 (17-8) 2. EIN NO.: 1-816001663-A1 (19-20) 3. Report for: (Check One Box Only)	1 <input type="checkbox"/> Oct. 31 2 <input type="checkbox"/> Feb. 28 3 <input checked="" type="checkbox"/> June 30 4 <input type="checkbox"/> AD HOC Request for Change in current OE Approved Authorization (To Be Used Between Reporting Periods)	
4. Institution NAME and ADDRESS: Northern Montana College Havre, Montana 59501	(29-34) 8. Date of Submission: 7 / 5 / 77 mo. day year	
(28) <input type="checkbox"/> Check here when NAME and/or ADDRESS has changed and indicate changes below:	(35) 9. Accreditation Status: Specify Agency: Northwest Agency Status: 1 <input checked="" type="checkbox"/> Fully Accredited 2 <input type="checkbox"/> Candidate OR 3 <input type="checkbox"/> Correspondent 4 <input type="checkbox"/> "3 Letters"	
Official responsible for this PROGRESS REPORT (Sign item 30) 5. Name: Keith Clawson 6. Title: Financial Aid Officer 7. Phone: 26507821 Ext. 3287	(36) 10. <input type="checkbox"/> Check here if NO BEOG recipients are expected at this institution. PLEASE return this report for USOE records.	
(37) 11. Type of Institution: 1 University 2 Other 4-year 3 2-year 4 At least 1-year, but less than 2-year 5 At least 6 months, but less than 1-year	(39-41) 13. U.S. Congressional District: 1977-78 Undergraduate Enrollment Percent Living On-Campus	(67-66) 17. Length of Academic Year (from 7/1/77 to 6/30/78 or equivalent on which charges below are based): months
(38) 12. Control: 1 Public Private, non-profit 3 Private, profit making	(42-47) 14. A. Full-time: (51-56) 15. A. Part-time: (60-66) 16. No. of 1977-78 part-time BEOG recipients:	(48-50) B. Full-time: (57-59) B. Part-time: % %
		(49-56) 18. Average Institutional Charges per Full-time Undergraduate Student. For 1977-78: Tuition and Fees (In-State) A. \$ Room (On-Campus) B. \$ Board (On-Campus) C. \$ For 1978-79 (Estimated) Tuition and Fees (In-State) D. \$ Room (On-Campus) E. \$ Board (On-Campus) F. \$
19. Gross Expenditures (actual payments to students to date)	3(7)(9-16) 19.	Amount (A) No. of BEOG Recipients (B)
20. Less Recoveries (to date)	125-32) 20.	\$ 241,377 (17-24) 346
21. Net Expenditures	(41-48) 19 - 20 = 21.	\$ 1,428 (33-40) 8
ESTIMATED DEMAND FOR ADDITIONAL FUNDS (for remainder of academic year):	(57-64) 22.	\$ 239,949 (73-80) 0
22. Amount for Present Recipients		\$ 0
23. Amount for Additional Recipients Expected to Qualify	(65-72) 23.	\$ 0
24. Total Estimated Expenditures and Recipients (for ENTIRE academic year: 7/1/77-6/30/78)	4(7)(9-16) 21 + 22 + 23 = 24A. 19B + 23B = 24B.	\$ 239,949 (117-24) 346
25. Current OE Approved Authorization per USOE records as of:	(25-32) 25.	\$ 243,983
26. Institution's Estimated Authorization Adjustment	(33-40) 24 - 25 = 26.	\$ 4,034
27. Number of Student Eligibility Reports Previously Submitted	(circle one) / (44-48) 27.	329
28. Number of Student Eligibility Reports Submitted with this Report	(49-56) 28.	17
29. Total Number of Student Eligibility Reports Submitted	(57-64) 27 + 28 = 29.	346

-18-



INSTITUTIONAL PROGRESS REPORT for
Educational Opportunity Grants.

Academic Year: 1977-78

DEPARTMENT OF HEALTH,
EDUCATION, AND WELFARE
OFFICE OF EDUCATION
Washington, D.C. 20202

EXHIBIT H
PLEASE read instructions before
completing this form.

FORM APPROVED
OMB NO. 51-RJ93

(1) 1. BEOG ID NO.: 002533
(2) 2. EIN NO.: 1-816001663-A1
(3) 3. Report for: (Check One Box Only)

- 1 Oct. 31 2 Feb. 28 3 June 30
4 AD HOC Request for Change in current OE Approved Authorization
(To Be Used Between Reporting Periods)

4. Institution NAME and ADDRESS:
Northern Montana College
Havre, Montana 59501

(28) Check here when NAME and/or ADDRESS has changed and indicate changes below:

(29-34) 8. Date of Submission: 10/ 5 / 78
mo. day year

(35) 9. Accreditation Status:
Specify Agency: Northwest Association

- Status: 1 Fully Accredited
2 Candidate
3 Correspondent
OR
4 "3 Letters"

Official responsible for this PROGRESS REPORT (Sign item 30)

5. Name: Keith Clawson
6. Title: Financial Aid Officer
7. Phone: (406) 265-7821 Ext. 3287

(36) 10. Check here if NO BEOG recipients are expected at this institution.
PLEASE return this report for USOE records.

(37) 11. Type of Institution:

- 1 University
2 Other 4-year
 X 3 2-year
4 At least 1-year, but less than 2-year
5 At least 6 months, but less than 1-year

(39-41) 13. U.S. Congressional District:
002

1977-78 Undergraduate Enrollment	Percent Living On-Campus
----------------------------------	--------------------------

(42-47) 14. A. Full-time: 381	(48-50) B. Full-time: 42 %
-------------------------------	----------------------------

(51-56) 15. A. Part-time: 161	(57-59) B. Part-time: 2 %
-------------------------------	---------------------------

(60-66) 16. No. of 1977-78 part-time BEOG recipients: 1

(67-68) 17. Length of Academic Year (from 7/1/77 to 6/30/78 or equivalent on which charges below are based):

months 9

18. Average Institutional Charges per Full-time Undergraduate Student, For 1977-78

Tuition and Fees (In-State)	A. \$ 458
Room (On-Campus)	B. \$ 370
Board (On-Campus)	C. \$ 800
For 1978-79 (Estimated)	
Tuition and Fees (In-State)	D. \$ 458
Room (On-Campus)	E. \$ 370
Board (On-Campus)	F. \$ 800

(38) 12. Control:

- X 1 Public
2 Private, non-profit
3 Private, profit making

Amount (A) No. of BEOG Recipients (B)

19. Gross Expenditures (actual payments to students to date)

3(7)(9-16) 19.

\$ 255,990

383

20. Less Recoveries (to date)

(25-32) 20.

\$ 1,286

(33-40) 15

21. Net Expenditures

(41-48) 19 - 20 = 21.

\$ 254,704

ESTIMATED DEMAND FOR ADDITIONAL FUNDS (for remainder of academic year):

(57-64) 22.

\$ 0

22. Amount for Present Recipients

(65-72) 23.

\$ 0

(73-80) 0

23. Amount for Additional Recipients Expected to Qualify

4(7)(9-16) 21 + 22 + 23 = 24A.

\$ 254,704

24. Total Estimated Expenditures and Recipients

19B + 23B = 24B.

\$ 254,704

(17-24) 383

If for ENTIRE academic year: 7/1/77-6/30/78

08/03/78

(25-32) 25

\$ 254,374

25. Current OE Approved Authorization per USOE records as of

(33-40) 24

\$ +

26. Institution's Estimated Authorization Adjustment

25 - 24 = 26.

\$ - 330

27. Number of Student Eligibility Reports Previously Submitted

(circle one)

(41-48) 27.

385

28. Number of Student Eligibility Reports Submitted with this Report

(49-56) 28.

1

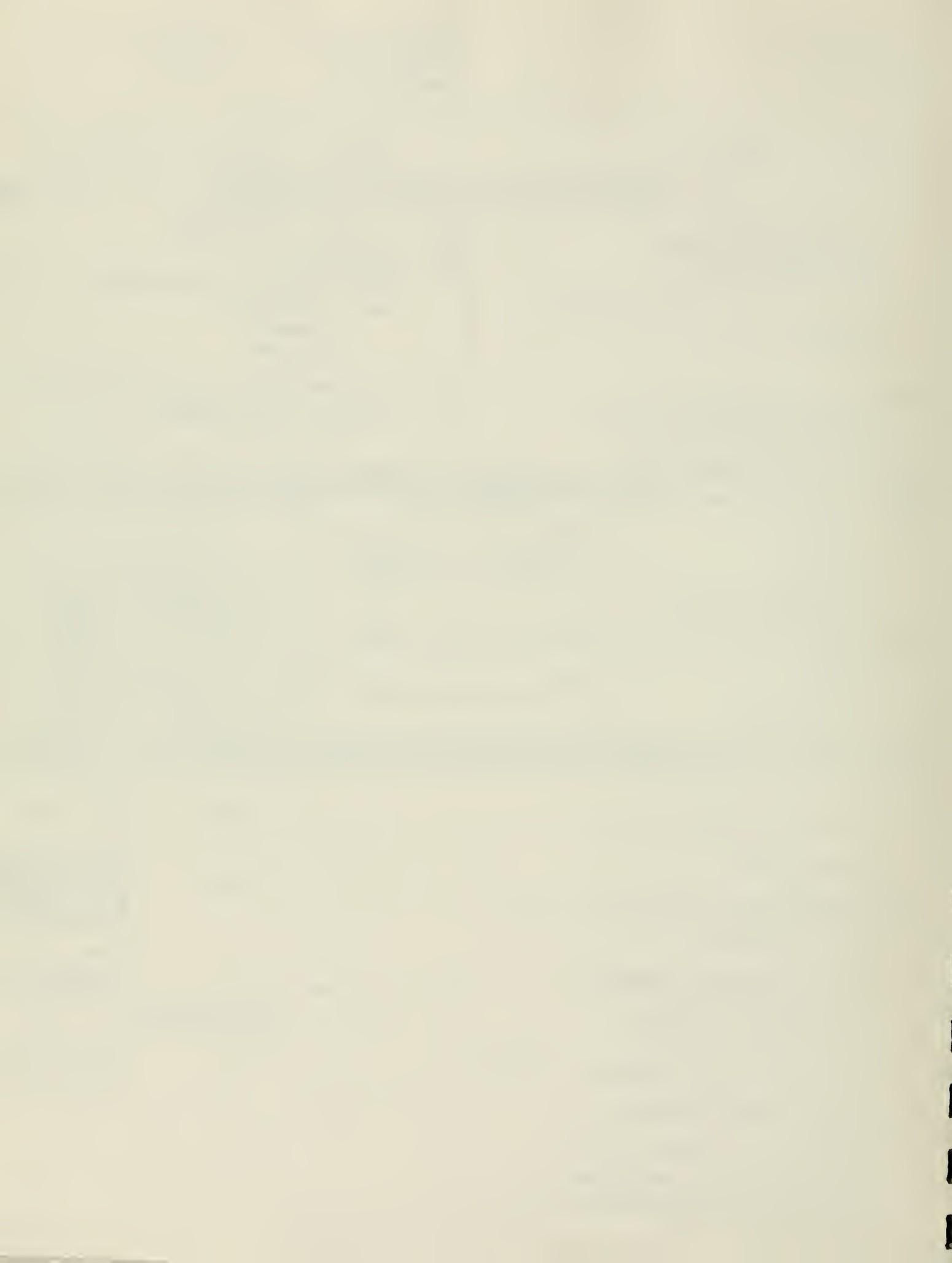
29. Total Number of Student Eligibility Reports Submitted

(57-64) 27 + 28 = 29.

386

-19-

30. SIGNATURE:



INSTITUTIONAL PROGRESS REPORT for
Basic Educational Opportunity Grants.
Academic Year 1978-79



DEPARTMENT OF HEALTH,
EDUCATION, AND WELFARE
OFFICE OF EDUCATION
Washington, D.C. 20202

EXHIBIT I

PLEASE read instructions before
completing this form.
FORM APPROVED
OMB NO. 51-R093

(1-6) 1. BEOG ID NO.: 002533	(27) 3. Report for: (Check One Box Only)		
1(7-8) 2. EIN NO.: 1-816001663-A1	1 <input type="checkbox"/> Oct. 31 2 <input type="checkbox"/> Feb. 28 3 <input checked="" type="checkbox"/> June 30		
(9-20)	4 <input type="checkbox"/> AD HOC Request for Change in current OE Approved Authorization (Use between reporting periods 7/1/78 thru 6/30/79)		
	5 <input type="checkbox"/> June Revised (Use only if June 30 report previously filed)		
GENERAL INFORMATION			
4. Institution NAME and ADDRESS Northern Montana College Havre, Montana 59501	(29-34) 8. Date of Submission: 7 / 11 / 79 mo. day year		
(28) <input type="checkbox"/> Check here when NAME and/or ADDRESS has changed and indicate changes below:	(35-42) 9A. Amount for 1978-79 Part-time BEOG recipients \$ 1,070		
Official responsible for this PROGRESS REPORT (Sign item 10) 5. Name: Keith Clawson 6. Title: Financial Aid Officer 7. Phone: (406) 265-7821 Ext. 3287	(43-48) 9B. No. of 1978-79 Part-time BEOG recipients 2		
(49) 10. SIGNATURE			
WARNING: Any person who knowingly makes a false statement or misrepresentation on this form may be subject to a fine of up to \$10,000 or to imprisonment of up to 5 years or to both under provisions of the United States Criminal Code. Such provisions may include, among others 18 U.S.C. 1001.			
(50) 11. Type of institution: 1 <input type="checkbox"/> University 2 <input type="checkbox"/> Other 4-year 3 <input type="checkbox"/> At least 2-yr, but less than 4-year 4 <input type="checkbox"/> At least 1-yr, but less than 2-year 5 <input type="checkbox"/> At least 6 mos., but less than 1-yr.	1978-79 Undergraduate Enrollment (55-60) 14. A. Full-time: 727 (64-69) 15. A. Part-time: 122 ---	Percent Living On-Campus (61-63) B. Full-time: 40 % (70-72) B. Part-time: 5 %	(74-75) 17. Length of Academic Year (from 7/1/78 - 6/30/79 or equivalent on which charges below are based): months
(51) 12. Control: 1 <input type="checkbox"/> Public 2 <input type="checkbox"/> Private, non-profit 3 <input type="checkbox"/> Private, profit making	(73) 16. Accreditation Status: 1 <input checked="" type="checkbox"/> Fully Accredited 2 <input type="checkbox"/> Candidate 3 <input type="checkbox"/> Correspondent 4 <input type="checkbox"/> "3 Letters"	18. Average Institutional Charges per Full-time Undergraduate Student: For 1978-79. (9-16) Tuition and Fees (In-State) A. S. 401 (17-24) Room (On-Campus) B. S. 420 (25-32) Board (On-Campus) C. S. 918 For 1979-80 (Estimated) (33-40) Tuition and Fees (In-State) D. S. (41-48) Room (On-Campus) E. S. (49-56) Board (On-Campus) F. S.	
(52-54) 13. U.S. Congressional District: Specify Agency:			
19. Gross Expenditures (actual payments to students to date for current academic year) _____ (3(7)(9-16) 19. (25-32) 20. (41-48) 19 - 20 = 21.)		Amount (A) No. of BEOG Recipients (B)	
20. Less Recoveries (to date for current academic year only) _____		\$ 219,674 (17-24) 300	
21. Net Expenditures _____		\$ 1,301	
ESTIMATED OEMAND FOR ADDITIONAL FUNDS (for remainder of current academic year): 22. Amount for Present Recipients _____ 23. Amount for Additional Recipients Expected to Qualify _____		\$ 218,373 (73-80) 0	
24. Total Estimated Expenditures and Recipients _____ (for ENTIRE academic year: 7/1/78-6/30/79) _____		\$ 218,373 (17-24) 300	
25. Current OE Approved Authorization per USOE records as of: (for academic year 7/1/78-6/30/79) _____		\$ 228,947	
26. Institution's Estimated Authorization Adjustment _____		\$ + - 10,574	
27. Number of Student Eligibility Reports Previously Submitted _____		(41-48) 27. 285	
28. Number of Student Eligibility Reports Submitted with this Report _____		(49-56) 28. 15	
29. Total Number of Student Eligibility Reports Submitted _____		(57-64) 27 + 28 = 29. 300	
30. Tape Number (for institutions utilizing tape exchange program) _____		- 20 -	

NORTHERN MONTANA COLLEGE
Havre, Montana

NOTES TO THE FINANCIAL STATEMENTS
FOR THE THREE YEAR PERIOD ENDED JUNE 30, 1979

NOTE 1 - Summary of Significant Accounting Policies

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows.

Except as described in the following paragraphs, the financial statements of the NDSL, CWS, SEOG, SSIG, and BEOG Programs have been prepared in accordance with generally accepted accounting principles and provide for the use of the accrual basis of accounting.

Interest on student loans receivable is recorded as received and uncollectible loans are not recognized until the loans are cancelled or written off in conformity with NDSL Program requirements. Generally accepted accounting principles require recognition of accrued interest receivable and for establishment of an allowance for uncollectible loans.

Accrued interest receivable on student loans receivable is immaterial in relation to the financial statements taken as a whole. Loans in the principal amount of \$42,602 were in default at June 30, 1979, of which \$20,859 were assigned, referred to and received by the United States. The effect of not establishing an allowance for uncollectible loans upon the financial statements is impossible to assess due to the possibility of future loan cancellations by the government.

The financial statements of the NDSL, CWS, SEOG, SSIG, and BEOG Programs have been prepared in accordance with the practices prescribed for such programs by the Department of Health, Education and Welfare in the Terms of Agreement and Office of Education Fiscal Control and Fund Accounting Procedures.

The amounts reported on the statements of changes in fund balance for the NDSL, CWS, and SEOG Programs agree with the amounts reported on the Office of Education Fiscal Operations Reports, OE form 1152-2, OE form 1152-3, OE form 1152-4, and OE form 656, except for the adjustments discussed in the schedules "Reconciliation of the Statement of Changes in fund Balance with OE Fiscal Operations Reports" (Schedules 9 and 10).

The amounts reported on the statement of changes in fund balance for the BEOG Program agree with the amounts reported on the Office of Education Progress Reports, OE form 255-3, except for the adjustments discussed in the schedule "Reconciliation of the Statement of Changes in Fund Balances with OE Progress Reports" (Schedule 11).

NORTHERN MONTANA COLLEGE
Havre, Montana

NATIONAL DIRECT STUDENT LOAN PROGRAM
ANALYSIS OF STUDENT LOANS RECEIVABLE
THREE YEAR PERIOD ENDED JUNE 30, 1979 and
THE PERIOD JANUARY 1959 THROUGH JUNE 30, 1979

	FOR THE PERIOD JANUARY 1959 THROUGH JUNE 30, 1979 (UNAUDITED)	THREE YEAR PERIOD ENDED JUNE 30, 1979
BALANCE, BEGINNING OF PERIOD	-0-	413,272
FUNDS ADVANCED TO STUDENTS	<u>1,060,190</u>	<u>218,315</u>
TOTAL	<u>1,060,190</u>	<u>631,587</u>
LESS CREDITS:		
Collections	455,937	191,100
Cancellations:		
Teaching Service	184,865	29,637
Death	4,071	
Bankruptcy	<u>5,191</u>	<u>724</u>
TOTAL CREDITS	<u>650,064</u>	<u>221,461</u>
BALANCE AT JUNE 30, 1979	<u>410,126</u>	<u>410,126</u>

The amounts reported on the Analysis of Student Loans Receivable for the NDSL Program agree with the amounts reported on the Office of Education Fiscal Operations Report, OE form 646.

NORTHERN MONTANA COLLEGE
Havre, Montana

NATIONAL DIRECT STUDENT LOAN PROGRAM
COMPUTATION OF DEFAULT RATE
AS OF JUNE 30, 1979
(CUMULATIVE INFORMATION)
(UNAUDITED)

PRINCIPAL OUTSTANDING ON LOANS IN DEFAULT

Total amount advanced on loans in process	60,720
Deduct:	
Principal amount repaid	(14,836)
Principal amount cancelled	<u>(3,282)</u>
Total remaining principal amount which has neither been paid nor cancelled on all notes in default	<u>42,602</u>

TOTAL AMOUNT OF MATURED PRINCIPAL

Total amount advanced - all borrowers	<u>1,060,190</u>
Deduct:	
Amounts not in repayment status:	
Student status at Northern Montana College	99,305
Student status at another institution	13,550
Grace period (armed forces, Peace corps, Vista, hardship)	<u>61,830</u>
Total amounts not in repayment status	<u>174,685</u>
Total amount of matured principal	<u>885,505</u>

PERCENTAGE OF LOANS IN DEFAULT 4.8%

$$\frac{42,602}{885,505} = 4.8\%$$

NORTHERN MONTANA COLLEGE
Havre, Montana

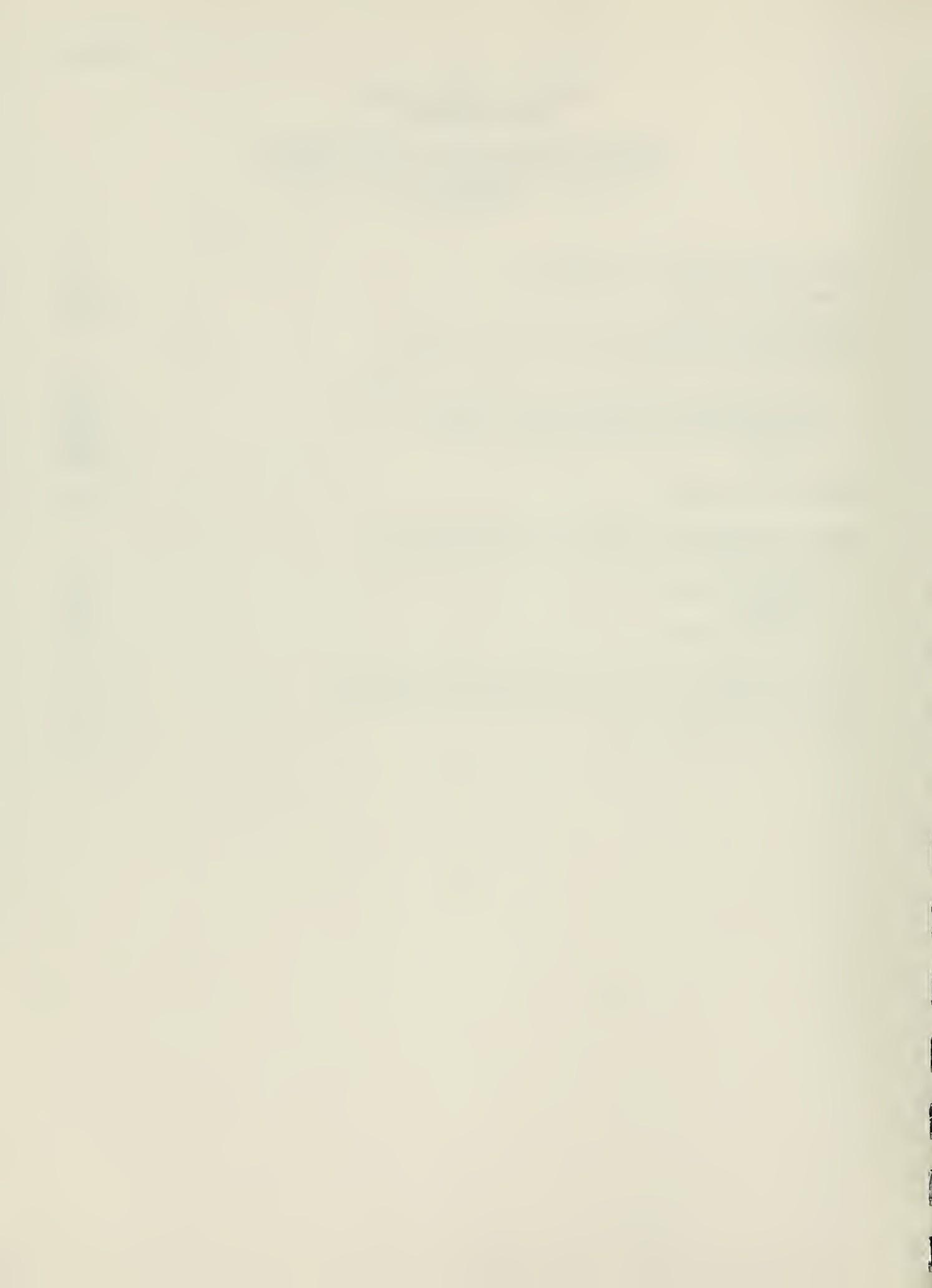
NATIONAL DIRECT STUDENT LOAN PROGRAM
ANALYSIS OF CASH FLOW
THREE YEAR PERIOD ENDED JUNE 30, 1979

Cash Balance, beginning of period	8,931
<u>ADD</u>	
Federal contributions	54,533
Institution contribution	<u>8,715</u>
	63,248
<u>REPROGRAMMED FUNDS</u>	
Collections	191,100
Interest on loans - collected	14,225
Reimbursement	<u>7,296</u>
TOTAL CASH AVAILABLE FOR THE PERIOD	284,800
<u>FUNDS APPLIED</u>	
Funds advanced to students	218,315
Administrative costs	8,733
Other collection costs	<u>515</u>
TOTAL FUNDS APPLIED	<u>227,563</u>
Cash Balance, end of period	<u>57,237</u>

NORTHERN MONTANA COLLEGE
Havre, Montana

SCHEDULE OF ADMINISTRATIVE COST ALLOWANCE
THREE YEAR PERIOD ENDED JUNE 30, 1979
(UNAUDITED)

Total Administrative Cost Allowance (NDSL, CWS & SEOG)	<u>14,394</u>
Deduct Expenditures Related to Student Consumer Information Service:	
Preparation of information dissemination topics	600
Dissemination of information to students	300
Salaries and wages of employees	<u>5,000</u>
Total	<u>5,900</u>
Balance of allowance	<u>8,494</u>
Deduct expenditures related to administering all title IV Federal student financial aid programs:	
Salaries	7,494
Ofice supplies	-0-
Postage	-0-
Computer services	<u>1,000</u>
Total expenditures directly related to administering all title IV Federal student financial aid programs	<u>8,494</u>
Balance of cost allowance	<u>-0-</u>



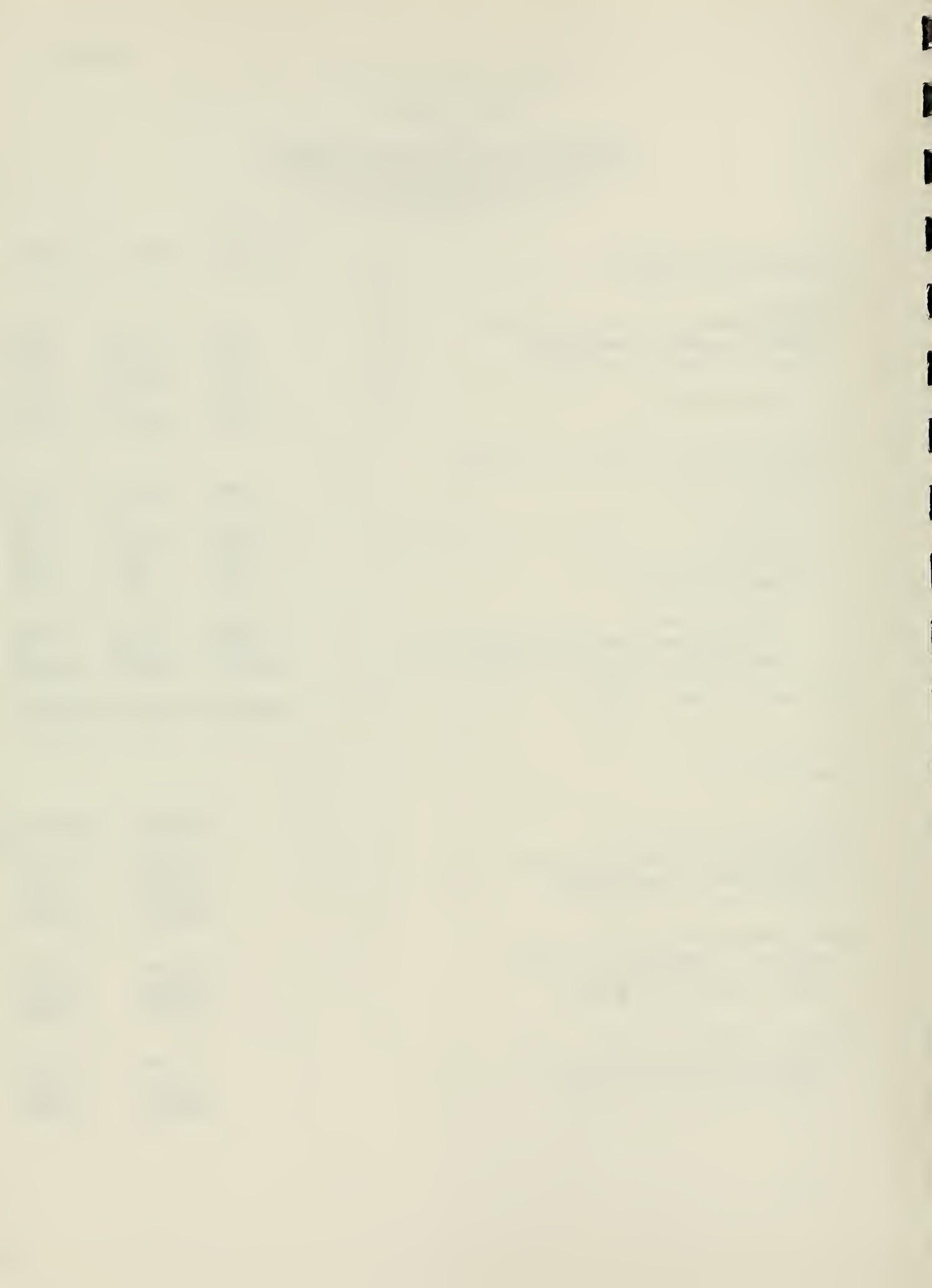
NORTHERN MONTANA COLLEGE
Havre, Montana

NATIONAL DIRECT STUDENT LOAN PROGRAM
STATEMENT OF CHANGES IN FUND BALANCE
FOR THE YEARS ENDED JUNE 30,
(UNAUDITED)

	<u>1977</u>	<u>1978</u>	<u>1979</u>
NONCAPITAL FUND BALANCE			
Additions:			
Reimbursement on loans - cancelled	648	2,662	3,986
Interest on loans - collected	4,559	4,663	5,002
Interest on loans - cancelled	<u>1,409</u>	<u>1,456</u>	<u>363</u>
Total additions	<u>6,616</u>	<u>8,781</u>	<u>9,351</u>
Deductions:			
Loan principal and interest cancelled:			
Teaching service	12,964	14,945	4,945
Death	-0-	-0-	-0-
Bankruptcy	<u>-0-</u>	<u>-0-</u>	<u>735</u>
Total	<u>12,964</u>	<u>14,945</u>	<u>5,680</u>
Administrative costs	2,571	3,327	2,835
Collection costs	<u>234</u>	<u>246</u>	<u>34</u>
Total deductions	<u>15,769</u>	<u>18,518</u>	<u>8,549</u>
Net (decrease) increase for the period	<u>(9,153)</u>	<u>(9,737)</u>	<u>802</u>
Fund balance beginning of period	<u>(167,072)</u>	<u>(176,225)</u>	<u>(185,962)</u>
FUND DEFICIT, END OF PERIOD	<u>(176,225)</u>	<u>(185,962)</u>	<u>(185,160)</u>

CONTRIBUTIONS

	<u>FEDERAL</u>	<u>INSTITUTION</u>
Year Ended June 30, 1977:		
Fund balance beginning of period	530,347	58,927
Add authorized contributions	<u>17,100</u>	<u>3,833</u>
Fund balance end of period	<u>547,447</u>	<u>62,760</u>
Year Ended June 30, 1978:		
Fund balance beginning of period	547,447	62,760
Add authorized contributions	<u>37,433</u>	<u>4,340</u>
Fund balance end of period	<u>584,880</u>	<u>67,100</u>
Year Ended June 30, 1979:		
Fund balance beginning of period	584,880	67,100
Add authorized contributions	<u>-0-</u>	<u>542</u>
Fund balance end of period	<u>584,880</u>	<u>67,642</u>



NORTHERN MONTANA COLLEGE
Havre, Montana

COLLEGE WORK STUDY PROGRAM
STATEMENT OF CHANGES IN FUND BALANCE
FOR THE YEARS ENDED JUNE 30,
(UNAUDITED)

	<u>1977</u>	<u>1978</u>	<u>1979</u>
Additions:			
Total grant award authorization	52,033	55,299	57,348
Less - amount of grant award not requested	(1) <u>5,063</u>	<u>8,204</u>	<u>1,567</u>
Balance - funds provided by Federal Government	46,970	47,095	55,781
Add - funds provided by institution	<u>16,953</u>	<u>14,215</u>	<u>16,332</u>
Total additions	<u>63,923</u>	<u>61,310</u>	<u>72,113</u>
Deductions:			
Wages:			
On Campus:			
Federal share	36,771	46,703	44,642
Institution share	13,659	11,677	11,161
Off Campus:			
Federal share	7,952	5,923	12,189
Institution share	2,717	2,538	5,171
Administrative expenses	<u>2,623</u>	<u>2,674</u>	<u>517</u>
Total deductions	<u>63,722</u>	<u>69,515</u>	<u>73,680</u>
Net increase (decrease) for the year	201	(8,205)	(1,567)
Fund Balance, beginning of year	<u>9,571</u>	<u>9,772</u>	<u>1,567</u>
Fund Balance, end of year	<u>9,772</u>	<u>1,567</u>	<u>-0-</u>

(1) Transfer to SEOG



NORTHERN MONTANA COLLEGE
Havre, Montana

SUPPLEMENTAL EDUCATIONAL OPPORTUNITY GRANTS PROGRAM
STATEMENT OF CHANGES IN FUND BALANCE
FOR THE YEARS ENDED JUNE 30,
(UNAUDITED)

	<u>1977</u>	<u>1978</u>	<u>1979</u>
Additions:			
Total grant award authorization	19,870	5,943	6,416
Less - amount of grant award not requested or deposited		1,328	3,234
Balance - funds provided by Federal Government	19,870	4,615	3,182
Add - funds from CWS	<u>5,063</u>	—	—
Total additions	<u>24,933</u>	<u>4,615</u>	<u>3,182</u>
Deductions:			
Initial awards	13,650	2,400	3,201
Continuing awards	11,283	3,300	3,115
Administrative expenses		124	100
Total deductions	<u>24,933</u>	<u>5,824</u>	<u>6,416</u>
Increase (decrease) during the year	-0-	(1,209)	(3,234)
Fund Balance, beginning of year	4,824	4,824	3,615
Fund Balance, end of year	<u>4,824</u>	<u>3,615</u>	<u>381</u>

NORTHERN MONTANA COLLEGE
Havre, Montana

STATE STUDENT INCENTIVE GRANT PROGRAM
STATEMENT OF CHANGES IN FUND BALANCE
FOR THE YEARS ENDED JUNE 30,
(UNAUDITED)

	<u>1977</u>	<u>1978</u>	<u>1979</u>
Additions:			
SSIG allotments:			
Federal share	3,079	7,932	12,964
State appropriations	<u>3,079</u>	<u>7,932</u>	<u>12,963</u>
Total additions	<u>6,158</u>	<u>15,864</u>	<u>25,927</u>
Deductions:			
Awards	6,158	15,264	25,665
Prior year expenditure (1977-78)			300
Allotment returned to state	—	—	300
Total deductions	<u>6,158</u>	<u>15,264</u>	<u>26,265</u>
Increase (decrease) during the period		600	(338)
Fund Balance, beginning of period	—	<u>-0-</u>	<u>600</u>
Fund Balance, end of period	<u>-0-</u>	<u>600</u>	<u>262</u>

NORTHERN MONTANA COLLEGE
Havre, Montana

NATIONAL DIRECT STUDENT LOAN PROGRAM
RECONCILIATION OF THE STATEMENT OF CHANGES IN FUND BALANCE
WITH OE FISCAL OPERATIONS REPORT
FOR THE PERIOD ENDED JUNE 30, 1979
(UNAUDITED)

	Per OE Form 646	Adjustments	Per Institution's Records
NON CAPITAL FUND BALANCE			
Additions:			
Interest on loans - collected	35,927		35,927
Reimbursement on loans - cancelled	7,296		7,296
Interest on loans - cancelled	<u>24,522</u>		<u>24,522</u>
Total additions	<u>67,745</u>		<u>67,745</u>
Deductions:			
Loan principal and interest cancelled:			
Teaching service	209,023	1 (1)	209,024
Death	4,111		4,111
Bankruptcy	<u>5,515</u>		<u>5,515</u>
Total	<u>218,649</u>		<u>218,650</u>
Administrative expense	17,801		17,801
Cost of litigation	13,581		13,581
Collection expense	<u>2,874</u>	(1) (1)	<u>2,873</u>
Total deductions	<u>252,905</u>		<u>252,905</u>
Net increase (decrease) for the period	(185,160)		(185,160)
Fund deficit, beginning of period	<u>-0-</u>		<u>-0-</u>
NON CAPITAL FUND DEFICIT, JUNE 30, 1979	<u>(185,160)</u>		<u>(185,160)</u>

	FEDERAL			INSTITUTION'S		
	Per OE Form 646	Adjust- ments	Per Institution's Records	Per OE Form 646	Adjust- ments	Per Institution's Records
CAPITAL FUND BALANCES:						
Fund balance, beginning of period	-0-		-0-	-0-		-0-
Add authorized contribution	584,880		584,880	64,987	2,655(2)	67,643
Fund balance, June 30, 1979 (end of period)	<u>584,880</u>		<u>584,880</u>	<u>64,987</u>	<u>2,655</u>	<u>67,643</u>
(1) Rounding to the nearest dollar						
(2) Reimbursement on loans cancelled prior to 7/1/72			1,539			
Institution's capital contribution available for matching			1,106			
Other			<u>10</u>			
			<u>2,655</u>			

NORTHERN MONTANA COLLEGE
Havre, Montana

COLLEGE WORK STUDY PROGRAM
RECONCILIATION OF THE STATEMENT OF CHANGES IN FUND BALANCE
WITH OE FISCAL OPERATIONS REPORT
FOR THE PERIOD ENDED JUNE 30,
(UNAUDITED)

	1977		
	Per OE Form 1152-4	Adjustments	Per Institution's Records
Additions:			
Total grant award authorization	52,033		52,033
Less - amount of grant award not requested	<u>5,200</u>	(1) <u>(137)</u>	<u>5,063</u>
Balance - funds provided by Federal Government	46,833	137	46,970
Add - funds provided by institution	<u>13,434</u>	(2) <u>3,519</u>	<u>16,953</u>
Total additions	<u>60,267</u>	<u>3,656</u>	<u>63,923</u>
Deductions:			
Wages:			
On Campus:			
Federal share	36,635	(3) 136	36,771
Institution share	10,139	(4) 3,520	13,659
Off Campus:			
Federal share	7,951	(5) 1	7,952
Institution share	3,295	(6) (578)	2,717
Administrative expenses	<u>2,247</u>	(7) <u>376</u>	<u>2,623</u>
Total deductions	<u>60,267</u>	<u>3,455</u>	<u>63,722</u>
Net increase (decrease) for the year	<u>-0-</u>	201	201
Fund Balance, beginning of year	<u>-0-</u>	<u>9,571</u>	<u>9,571</u>
Fund Balance, end of year	<u><u>-0-</u></u>	<u><u>9,772</u></u>	<u><u>9,772</u></u>

- (1) Reduction of transfer to SEOG Program
- (2) Additional institutional funds required for on campus wages
- (3) Additional funds available for CWS Program as a result of reduction of transfer to SEOG Program
- Rounding \$ 137
\$ (1)
\$ 136
- (4) Overexpenditures \$ 3,519
Rounding 1
\$ 3,520
- (5) Rounding

1978			1979		
Per OE Form 646	Adjustments	Per Institution's Records	Per OE Form 646	Adjustments	Per Institution's Records
56,867	(8)(1,568)	55,299	57,348		57,348
<u>-0-</u>	(9) <u>8,204</u>	<u>8,204</u>	<u>1,568</u>	(5) <u>1</u>	<u>1,567</u>
56,867	(9,772)	47,095	55,780	1	55,781
<u>14,214</u>	(5) <u>1</u>	<u>14,215</u>	<u>16,332</u>	—	<u>16,332</u>
<u>71,081</u>	(<u>9,771</u>)	<u>61,310</u>	<u>72,112</u>	<u>1</u>	<u>72,113</u>
46,704	(5) (1)	46,703	44,642		44,642
11,676	(5) 1	11,677	11,161		11,161
5,922	(5) 1	5,923	12,189		12,189
2,538		2,538	5,171		5,171
<u>2,673</u>	(5) <u>1</u>	<u>2,674</u>	<u>517</u>	—	<u>517</u>
<u>69,513</u>	<u>2</u>	<u>69,515</u>	<u>73,680</u>	—	<u>73,680</u>
1,568	(9,773)	(8,205)	(1,568)	1	(1,567)
<u>-0-</u>	<u>9,772</u>	<u>9,772</u>	<u>1,568</u>	(1)	<u>1,567</u>
<u>1,568</u>	<u>(1)</u>	<u>1,567</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>

(6) 1976 overpayment to Montana State

(7) Administrative costs

(8) Decrease in grant award authorization

(9) Grant award not requested:

Fund balance, 6/30/77 \$9,772

Decrease in grant award
authorization 1,568\$8,204

NORTHERN MONTANA COLLEGE
Havre, Montana

BASIC EDUCATIONAL OPPORTUNITY GRANT PROGRAM
RECONCILIATION OF THE STATEMENT OF CHANGES IN FUND BALANCE
WITH OE PROGRESS REPORTS
FOR THE PERIOD ENDED JUNE 30,
(UNAUDITED)

	1977			1978			1979		
	Per OE Form 255-3	Adjust- ments	Institution's Records	Per OE Form 255-3	Adjust- ments	Institution's Records	Per OE Form 255-3	Adjust- ments	Institution's Records
Additions:									
Current OE approved authorization	243,983	(4,034)	239,949	254,374	330	254,704	228,947	(10,574)	218,373
Awards in excess of authorization	<u>-0-</u>	<u>51(1)</u>	<u>51</u>	<u>-0-</u>	<u>8,561(1)</u>	<u>8,561</u>	<u>-0-</u>	<u>28,575(1)</u>	<u>28,575</u>
Total additions	243,983	(3,983)	240,000	254,374	8,891	263,265	228,947	18,001	246,948
Deduct:									
Funds not requested	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Total Funds Provided	<u>243,983</u>	<u>(3,983)</u>	<u>240,000</u>	<u>254,374</u>	<u>8,891</u>	<u>263,265</u>	<u>228,947</u>	<u>18,001</u>	<u>246,948</u>
Deductions:									
Gross awards to students	241,377	50(2)	241,427	255,990	5(2)	255,995	219,674	(35)(2)	219,639
Less recoveries	<u>1,428</u>	<u>—</u>	<u>1,428</u>	<u>1,286</u>	<u>9(2)</u>	<u>1,295</u>	<u>1,301</u>	<u>(165)(2)</u>	<u>1,136</u>
Total Deductions	<u>239,949</u>	<u>50</u>	<u>239,999</u>	<u>254,704</u>	<u>(4)</u>	<u>254,700</u>	<u>218,373</u>	<u>130</u>	<u>218,503</u>
Net increase (decrease) for the period	4,034	(4,033)	1	(330)	8,895	8,565	10,574	17,871	28,445
Fund Balance, beginning of period	<u>-0-</u>	<u>2,704</u>	<u>2,704</u>	<u>-0-</u>	<u>2,705</u>	<u>2,705</u>	<u>-0-</u>	<u>11,270</u>	<u>11,270</u>
Fund Balance, end of period	<u>4,034</u>	<u>(1,329)</u>	<u>2,705</u>	<u>(330)</u>	<u>11,600</u>	<u>11,270</u>	<u>10,574</u>	<u>29,141</u>	<u>39,715</u>

- (1) Grant awards in excess of amount requested
(2) Miscellaneous award and recovery adjustments

NORTHERN MONTANA COLLEGE

Havre, Montana

June 30, 1979

Findings and Recommendations - Financial

Allowance for Uncollectible Loans - NDSL Program

The College has not established an allowance for uncollectible NDSL loans. Generally accepted accounting principals require that receivables be carried at no more than is reasonably expected to be realized and therefore, should be reduced by an allowance account to cover expected losses. Loans in the principal amount of \$42,602 were in default at June 30, 1979, of which \$20,859 were assigned/referred to and received by the United States. Accordingly, the NDSL assets, and the fund balances are overstated on the NDSL Program balance sheet as of June 30, 1979, and the related statements of changes in fund balances for the three year period then ended.

Recommendation

We recommend that the College establish an allowance for doubtful accounts and recognize the bad debt expense related to uncollectible loans.

Agency's Reply

The agency's reply to our recommendation is located on page 3, Response to Audit Recommendations for Northern Montana College.

**GALUSHA
HIGGINS &
GALUSHA**
HELENA, MONTANA

CERTIFIED PUBLIC ACCOUNTANTS
POST OFFICE BOX 1699
HELENA, MONTANA 59601

September 21, 1979

Legislative Audit Committee
of the Montana State Legislature

We have examined the financial statements on the NDSL, CWS, SEOG, SSIG and BEOG Programs, Northern Montana College, Havre, Montana, for the years ended June 30, 1977, 1978 and 1979. Our opinion on the above statements is contained on pages 6 and 7 of this report. As part of our examination, we have made a study of the College's system of internal accounting control to the extent we considered necessary to evaluate the system as required by "Standards for Audits of Governmental Organizations, Programs, Activities and Functions" issued by the Comptroller General (GAO) in June 1972 (1974 reprint). Under these standards, the purpose of such evaluations is to establish a basis for reliance thereon in determining the nature, timing and extent of other auditing procedures that are necessary for expressing an opinion on the financial statements.

We have also made a study of those internal accounting control and administrative control procedures of Northern Montana College that we considered relevant to the criteria established by the Department of Health, Education and Welfare as set forth in Sections 3.2 and 3.3 of the Audit Guide issued June 1978, and Sections 3.2, 3.3 and 3.4 of the Audit Guide issued July 1978, and supplementary information included in the July 1979, issue of the BSFA Bulletin and NASFAA Federal Monitor #27. Our study included tests of compliance with such procedures during the period from July 1, 1976 through June 30, 1979.

The objective of internal accounting control is to provide reasonable, but not absolute, assurance as to the safeguarding of assets against loss from unauthorized use or disposition, and the reliability of financial records for preparing financial statements and maintaining accountability for assets. We understand that the objective of those administrative control procedures comprehended in the Department of Health, Education and Welfare criteria is to provide similar assurance as to compliance with its related requirements. The concept of reasonable assurance recognizes that the cost of a system of internal control should not exceed the benefits derived and also recognizes that the evaluation of these factors necessarily require estimates and judgments by management.

There are inherent limitations that should be recognized in considering the potential effectiveness of any system of internal control. In the performance of most control procedures, errors can result from misunderstanding of instructions, mistakes of judgment, carelessness, or other personal factors. Control procedures whose effectiveness depend upon segregation of duties can be circumvented by collusion. Similarly, control procedures can be circumvented intentionally by management with respect either to the execution and recording of transactions or with

respect to the estimates and judgments required in the preparation of financial statements. Further, projection of any evaluation of internal control to further periods is subject to the risk that the procedures may become inadequate because of changes in conditions and that the degree of compliance with the procedures may deteriorate.

We understand that procedures in conformity with the criteria referred to in the second paragraph of this report are considered by the Department of Health, Education and Welfare to be adequate for its purpose in accordance with the provisions of the Higher Education Act of 1965 and related regulations, and that procedures not in conformity therewith indicate some inadequacy for such purposes. Based on this understanding and on our study, we believe the Northern Montana College procedures were adequate for the Department's purposes, except for the conditions described on page 37 through 40 of this report which we believe are not in conformity with the criteria referred to above.

This report is intended for use in connection with the grant to which it refers and should not be used for any other purposes.

Galuska, Higgins and Galusha

GALUSHA, HIGGINS AND GALUSHA
Certified Public Accountants

NORTHERN MONTANA COLLEGE

HAVRE, MONTANA

JUNE 30, 1979

Findings and Recommendations - Internal Accounting and Administrative

Controls and Compliance

Allowance for Uncollectible Loans - NDSL Program

The College has not established an allowance for uncollectible NDSL loans. Generally accepted accounting principals require that receivables be carried at no more than is reasonably expected to be realized and therefore, should be reduced by an allowance account to cover expected losses. Loans in the principal amount of \$42,602 were in default at June 30, 1979, of which \$20,859 were assigned/referred to and received by the United States. Accordingly, the NDSL assets, and the fund balances are overstated on the NDSL Program balance sheet as of June 30, 1979 and the related statement of changes in fund balances for the three year period then ended.

Recommendation

We recommend that the College establish an allowance for doubtful accounts and recognize the bad debt expense related to uncollectible loans.

Promissory Note - NDSL Program

Federal regulations require the College to supply NDSL borrowers with a copy of an open-end note when the borrower leaves the institution or is no longer in attendance as a half-time student. A copy of the note must be provided to the borrower annually. At the present time, the College does not provide NDSL borrowers with a fully executed copy of the promissory note.

Recommendation

Since the College utilizes an open-end note, we recommend that the College provide NDSL borrowers with a copy of the note at the time the exit interview is conducted. If borrowers leave the College without notice, a copy of the note should be mailed to them.

Self-Evaluation System

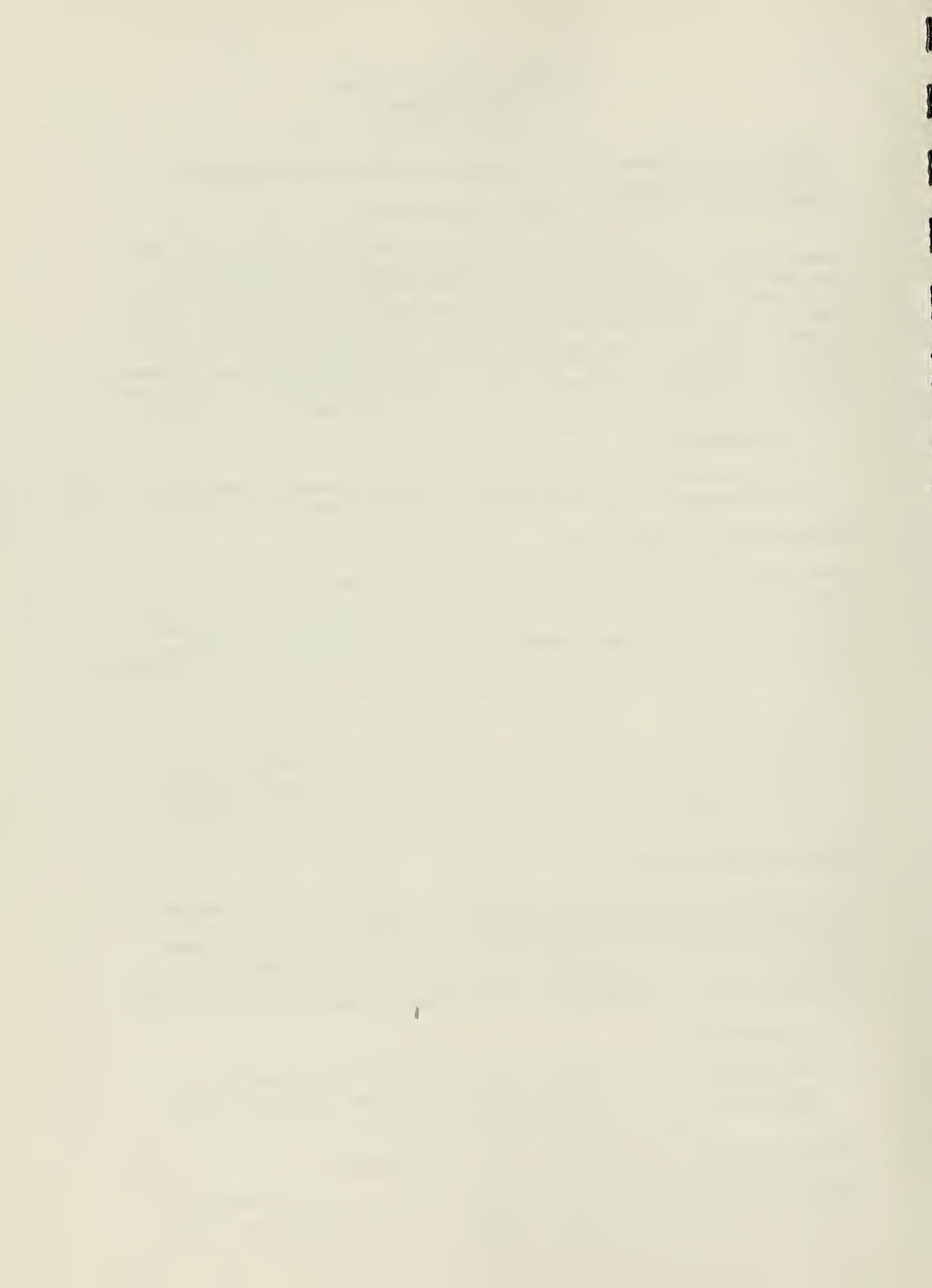
The College's self-evaluation review consists of reviewing and updating the Institutional Guide for Financial Aid Self-Evaluation and other financial aid program manuals on a yearly basis. A system has not been established to monitor and evaluate the program to ensure that their objectives are met. In addition, the questions in the Institutional Guide for Financial Aid Self-Evaluation have not been answered.

Recommendation

We recommend that the College either develop its own system to monitor and evaluate the financial aid program or make use of the Office of Education's self-evaluation system.

Contacting Borrower During Grace Period - NDSL Program

Federal regulations require the college to contact each NDSL borrower no less than three times during the 9 month grace period as follows: (1)



90 days into the grace period, (2) 180 days into the grace period, and (3) no less than 30 days preceding the due date of the first installment. The College hasn't contacted each borrower at least three times during the nine month grace period.

Recommendation

We recommend that the College establish procedures to contact each NDSL borrower at least three times during the nine month grace period as required by the Federal regulations.

Supervision of Students - College Work-Study Program

The College has not established procedures to determine if the work performed by each student under the College Work-Study is Program properly supervised.

Recommendation

We recommend that written procedures be established and documentation be kept on file ensuring that the work performed by students under the CWS Program is properly supervised and in accordance with Federal regulations.

Check Pick-up Signature Card

At registration time, the students sign a check pick-up signature card prepared by the Business Office upon receipt of the check. The card is placed in a basket and eventually filed in alphabetical order. For awards made after registration, students are required to sign a release form obtained from the Financial Aid Office and a check pick-up signature card. The release form and check pick-up signature card are finally thrown away.

Recommendation

We recommend that the check pick-up signature card be placed in alphabetical order at registration time and filed in the student's financial aid file as soon thereafter as possible. Before subsequent awards are made, the Financial Aid Office should check the student's file to determine if they previously picked up a check before preparing the release form.

Review of Deferment Forms

Completed deferment forms are reviewed and eligibility determined by the financial aid secretary. If a student is eligible, a status change memo is forwarded to data processing.

Recommendation

To strengthen internal control, we recommend that the financial aid officer review the eligibility of the participants and initial the status change memo before it is forwarded to data processing.

Safekeeping of Student Loan Ledgers - NDSL Program

The College's student loan ledgers are not maintained in a fireproof container. However, a summary of NDSL activity is kept in the Business Office's fireproof vault.

Recommendation

A summary of NDSL activity does not provide the necessary information to reconstruct the College's records if they were destroyed.

Accordingly, we recommend that a copy of the student loan ledger printout be kept in the Business Office's fireproof vault.

Permanent Address of Borrowers - NDSL Program

The promissory note utilized by the College and the example set forth in the Federal regulations provide for the permanent address of the borrower. However, the College does not require that the borrower's permanent address be shown on the promissory note.

Recommendation

We recommend that the promissory note reflect the permanent mailing address of the borrower. This address should be obtained when the borrower signs the note.

Excess Cash - NDSL Program

The College has an excess cash balance in the NDSL Fund at June 30, 1979. This excess cash is not being invested in interest producing securities and management does not have a definite plan for utilizing the excess cash.

Recommendation

We recommend that management consider investing the excess cash in the NDSL Fund in interest producing securities. This would provide an additional source of funds for the College's share of contribution to the NDSL Fund.

Additional Problems or Weaknesses

We utilized the National Association of Student Financial Aid Administrator's (NASFAA) Institutional Guide for Financial Aid Self-Evaluation to identify additional problems or weaknesses in the financial aid operation. The problems or weaknesses noted were as follows:

1. The professional and support staff are not sufficient to perform the necessary tasks within normal working hours.
2. The Financial Aid Office is not conveniently located or accessible to handicapped students.
3. There isn't a division between the student reception area and the general office area.

4. A parental signature is not obtained for borrowers who are minors.
5. The College does not have a policy that defines "exceptional financial need" nor a procedure for giving preference for employment even though all CWS Program applicants have been provided a job in the past.

Agency's Replies

The Agency's replies to our recommendations are located on pages 3 and 4, response to Audit Recommendation for Northern Montana College.

NORTHERN MONTANA COLLEGE
Havre, Montana
June 30, 1979

Prior Audit Reports

Findings and recommendations in audit report for the fiscal year ended June 30, 1976 (presented by Lanouette, Hamilton and Ammondson, Certified Public Accountants, in their report dated May 26, 1977):

Allowance for Doubtful Accounts - NDSL Program

The College has not established an allowance for doubtful accounts for NDSL loans.

Recommendation

We recommend that the College establish an allowance for doubtful accounts and recognize the bad debt expense related to uncollectible loans.

The above finding and recommendation is reported again under the "Findings and Recommendations" section of this report, see pages 37 through 40.

Loan Repayments - NDSL Program

The College's Financial Aid Office is receiving payments on National Direct Student Loan collections. Credit memo slips are prepared by the College Data Processing Department on a monthly basis indicating the current months breakdown of principal and interest. When the Financial Aid Office receives payments on loans, they compare the checks with the credit memos and then hold the checks until a sufficient number of them have been accumulated. These receipts are sometimes held for two or three weeks before they are given to the business office to be deposited.

Recommendation

All loan repayments should be received by the College Business Office and deposited on a daily basis with other receipts. The Financial Aid Office should not accept loan payments and should notify debtors as to the proper place to send repayments.

Corrective Action Taken

All loan repayments are now received by the College's Business Office, and deposited on a daily basis with other receipts.

Notice of Acceptance and Exit Interviews - All Programs

The Financial Aid Office maintenance of student files is deficient in several areas. Federal regulations require that loan exit interviews be conducted and that students sign a Notice of Acceptance for financial aid that they receive.

Recommendation

We recommend that the financial aid office:

1. Establish procedures to ensure that all students receiving loans from federal programs participate in an exit interview

and that signed documentation regarding these interviews is maintained in the students files.

2. Obtain signed Notice of Acceptance forms prior to disbursing any financial aid to participating students.

Corrective Action Taken:

1. Diplomas are not released and withdrawal cards are not signed until the students have read and signed the Exit Interview Questionnaire. The Exit Interview Questionnaire is maintained in the student's financial aid file.
2. Checks are not released until the student signs the Notice of Acceptance form. The Notice of Acceptance form is maintained in the student's financial aid file.

Self-Evaluation System - All Programs

The Office of Education has developed a suggested self-evaluation system to be used by institutions to evaluate the practices and procedures they follow in administering their Student Financial Aid programs. The College has never performed a self-evaluation system study.

Recommendation

We recommend that the College either develop its own self-evaluation system or make use of the Office of Education's system to effectively evaluate financial aid programs.

The above finding and recommendation is reported again under the "Findings and Recommendations" section of this report, see pages 37 through 40.

Collection of Short-term Delinquent Loans - NDSL Program

The College had funds available to make short-term loans to students. These loans are usually to be repaid during the quarter the money is borrowed. However, at June 30, 1976, the loan balance of 87 loans totaled \$5,264.

Recommendation

We recommend that the Financial Aid Office initiate procedures for collection of short-term delinquent loans. If collections can not be made, the amounts should be turned over to the Department of Revenue for collection.

Corrective Action Taken:

After a loan has been delinquent for several months and three delinquency letters have been mailed to the borrowers, the College turns the loans over to a collection agency. At the present time, the College's utilizes Payco American Corporation and American Western Accounts, Inc. for collection purposes.

Findings and recommendations in report from Division of Student Assistance, Department of Health, Education and Welfare, for a program review made on May 11 and 12, 1977.

Affidavit of Education Purpose - BEOG Program

Most of Northern Montana College's students who have received only Basic Grant assistance have not been required to sign an Affidavit of Education Purpose.

Recommendation

Procedures should be established to prevent similar problems in subsequent award periods.

Corrective Action Taken:

Students are required to sign the Affidavit of Education Purpose before award funds are disbursed to them.

Promissory Note - NDSL Program

Your institution has prepared and used a loan note which deviates from the enabling legislation.

Recommendation

We must recommend that all future disbursements be documented by the appropriate promissory note.

Corrective Action Taken:

The provisions of the promissory note now being utilized by Northern Montana College are in conformity with the example set forth in Appendix B of HEW's Federal Register dated Monday, August 13, 1979.

Room and Board Allowance of Commuting Students

Northern Montana College is providing an extreme amount of room and board allowance for students who are commuting to the institution from the surrounding area.

Recommendation

We would recommend that consideration be given in subsequent fiscal years to evaluate the legitimate needs of the commuting students as they relate to board and room costs.

Corrective Action Taken:

At the present time, the Financial Aid Officer determines each student's commuting budget by a personal interview with the student.

Clarification of Aid Recipients as Self Supporting

On the 1975-1976 Fiscal Operation Report for the campus-based aid programs, Northern Montana College reported 101 of 177 aid recipients as self-supporting.

Recommendation

Since these independent students are a significant percentage of aid recipients, we would encourage your institution to require more documentation from those requesting consideration as independent students. This additional information should reflect the fact that the student has had sufficient income in the past calendar year to provide for the basic necessities of life. You may also ask that clarification be given if these same resources are not available for the period for which the student is requesting assistance. The purposes of the additional data would be to identify those who are truly independent as well as gather data on potential student resources.

Corrective Action Taken:

Further clarification is requested from those students who want to be considered as independent students. Documentation is requested from the student showing the source of income.

Exit Interview - NDSL Program

Federal Regulations require that each student who has received a National Defense/Direct Student Loan be advised of the provisions of the loan at the time they leave school. At the present time, Northern Montana College does not have a procedure which guarantees that this can be accomplished.

Recommendation

We must ask that such a procedure be adopted not only to comply with Federal Regulations but to assist in the collection of the loans once they enter repayment.

Corrective Action Taken:

Diplomas are not released and withdrawal cards are not signed until the students have read and signed the Exit Interview Questionnaire. The Exit Interview Questionnaire includes the loan repayment responsibilities.

Cross-checking Data on Student Applications - BEOG Program

While reviewing a sample of individual student records, we found a student whose family had reported significantly different data to Basic Grants than they had reported to Northern Montana College. In pursuing this with the student, it was decided by the student that the data provided to Basic Grants under-reported the family income. The student then asked for an opportunity to repay the Grant.

Recommendation

Efforts should be made to cross-check application data provided by the students and their families. Procedures which resulted in a cross-referencing of family information would prevent similar problems in the future.

Corrective Action Taken:

The student whose S.E.R. adjusted gross income did not agree with the adjusted gross income reported on the need analysis from C.S.S. has made restitution of the total funds paid to him this year in the amount of \$526.

These funds have been returned to the BEOG account. The Financial Aid Office has attempted to make more cross-checks of the student eligibility report and the need analysis.

Matching Funds - NDSL and CWS Programs

The reviewing officer noted that the 1/9 institutional portion of the National Defense/Direct Student Loan Fund was not deposited promptly upon receipt of the federal funds. Article 144.8 of the National Direct Student Loan Regulations states very specifically in Paragraph (b) that each participating institution must initially deposit and at all times maintain in its National Defense/Direct Student Loan Fund an amount equal to at least 1/9 of the capital contribution received from the United States Government.

Recommendation

We must ask that procedures be established to ensure that the appropriate matching funds be deposited to the National Direct Student Loan Fund as well as to the College Work-Study Fund. This deposit should be made immediately upon receipt of the federal funds so as to maintain the institutional matching portion of both student aid programs.

Corrective Action Taken:

Steps have been taken to ensure that the institutional portion of the NDSL Fund is promptly deposited upon receipt of the Federal Funds. With the implementation of the statewide automatic accounting system, better control and more timely recording of receipts into the appropriate accounts is being observed.

STATE OF MONTANA

NORTHERN MONTANA COLLEGE

Report on Housing & Dining System

Bonds of 1972
Series A through H

June 30, 1979, 1978 and 1977

NORTHERN MONTANA COLLEGE
Report on Housing and Dining System

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**GALUSHA
HIGGINS &
GALUSHA**

HELENA, MONTANA

CERTIFIED PUBLIC ACCOUNTANTS
POST OFFICE BOX 1699
HELENA, MONTANA 59601

November 14, 1979

The Legislative Audit Committee
of the Montana State Legislature

We have examined the records and accounts of the Northern Montana College Housing and Dining System Bonds of 1972 for the fiscal years ended June 30, 1979, 1978 and 1977. Except as explained in the following paragraph, our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

We did not observe the taking of the physical inventory as of June 30, 1978 or 1977, since those dates were prior to our appointment as auditors for Northern Montana College, and we were unable to satisfy ourselves regarding inventory quantities by means of other auditing procedures.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to observe the physical inventories, the accompanying statements present fairly the balances of the accounts on hand at June 30, 1979, 1978 and 1977, and the results of the transactions for the fiscal years then ended; and that Northern Montana College is complying with the provisions of the Indenture authorizing the bonds.

Galuska, Higgins and Galuska
GALUSHA, HIGGINS AND GALUSHA
Certified Public Accountants

NORTHERN MONTANA COLLEGE

HOUSING AND DINING SYSTEM BONDS OF 1972
SERIES A THROUGH H
DATA ON BONDS
June 30, 1979, 1978 and 1977

Purpose:

Series A - To refund \$208,000 Northern Montana College Student Union Bonds of 1959.

Series B,
C & D - To refund \$752,000 Northern Montana College Housing and Dining System and Refunding Bonds of 1959, Series A, B and C.

Series E - To refund \$273,000 Northern Montana College Housing and Dining System Bonds of 1960.

Series F - To refund \$348,000 Northern Montana College Housing and Dining System Bonds of 1961.

Series G - To refund \$138,000 Northern Montana College Student Union Bonds of 1963.

Series H - To pay \$1,828,000 for construction of a dormitory to house approximately 200 single women students and an addition to the Student Union Building to provide kitchen and dining facilities for approximately 876 students; all with necessary facilities.

Description

The \$3,547,000 bond issue has interest payable April 1, and October 1. Bonds mature annually during the period of October 1, 1972 through October 1, 2018. The entire bond issue was purchased by the Department of Housing and Urban Development.

Bond Principal and Interest Payment Requirements

The trustees have made all bond principal and interest payments on time as they have become due and payable.

Section 14 of the indenture agreement requires the State Board of Regents to deposit, on or before March 15, and September 15, a sum equal to the interest to become due on the next interest payment date, plus one-half of the principal due within the succeeding twelve months, to the Northern Montana College Housing and Dining System Bond and Interest Sinking Fund Account.

Insurance Requirements

Insurance requirements as specified by Section 21, paragraphs C, D, E and F of the indenture agreement have been complied with.

See Accompanying Auditors' Report

NORTHERN MONTANA COLLEGE

HOUSING AND DINING SYSTEM BONDS OF 1972
SERIES A THROUGH H
DATA ON BONDS
June 30, 1979, 1978 and 1977

Liens

The bonds are secured by: (1) A first lien on and pledge of the net revenues to be derived from the operation and/or ownership of the Northern Montana College Housing and Dining System, consisting of: (a) the new women's dormitory, (b) the Student Union Building, including the Centralized Food Service, (c) Morgan Hall, (d) Donaldson Hall, (e) married student housing, (f) any additional housing, dining, and related auxiliary facilities which may be added to the Housing and Dining System at future dates; and

(2) A first lien on and pledge of the Student Union Building use fee presently being assessed each full time student at a rate of \$20.00 per quarter.

See Accompanying Auditors' Report

NORTHERN MONTANA COLLEGE

HOUSING AND DINING SYSTEM BONDS OF 1972

SERIES A THROUGH H

SCHEDULE OF REDEMPTION REQUIREMENTS

June 30, 1979, 1978 and 1977

<u>10/1</u>	<u>Series</u>	<u>Total</u>								
	<u>A</u>	<u>B</u>	<u>C</u>	<u>D</u>	<u>E</u>	<u>F</u>	<u>G</u>	<u>H</u>		
1972	\$ 5,000	\$ 11,000	\$ 4,000	\$ 5,000	\$ 7,000	\$ 7,000	\$ 2,000	\$ --		\$ 41,000
1973	5,000	11,000	4,000	5,000	7,000	7,000	2,000	--		41,000
1974	5,000	11,000	4,000	5,000	7,000	7,000	3,000	--		42,000
1975	5,000	11,000	5,000	5,000	7,000	8,000	3,000	20,000		64,000
1976	5,000	12,000	5,000	5,000	7,000	8,000	3,000	20,000		65,000
1977	6,000	12,000	5,000	6,000	8,000	8,000	3,000	20,000		68,000
1978	6,000	12,000	5,000	6,000	8,000	8,000	3,000	25,000		73,000
1979	6,000	13,000	5,000	6,000	8,000	9,000	3,000	25,000		75,000
1980	6,000	13,000	5,000	6,000	8,000	9,000	3,000	25,000		75,000
1981	6,000	13,000	5,000	6,000	9,000	9,000	3,000	25,000		76,000
1982	7,000	14,000	6,000	6,000	9,000	10,000	3,000	25,000		80,000
1983	7,000	14,000	6,000	7,000	9,000	10,000	4,000	25,000		82,000
1984	7,000	15,000	6,000	7,000	9,000	10,000	4,000	25,000		83,000
1985	7,000	15,000	6,000	7,000	10,000	10,000	4,000	25,000		84,000
1986	7,000	15,000	6,000	7,000	10,000	11,000	4,000	30,000		90,000
1987	8,000	16,000	7,000	7,000	10,000	11,000	4,000	30,000		93,000
1988	8,000	16,000	7,000	8,000	11,000	12,000	4,000	30,000		96,000
1989	8,000	17,000	7,000	8,000	11,000	12,000	4,000	30,000		97,000
1990	8,000	17,000	7,000	8,000	11,000	13,000	4,000	30,000		98,000
1991	9,000	18,000	7,000	8,000	12,000	13,000	5,000	35,000		107,000
1992	9,000	18,000	8,000	9,000	12,000	13,000	5,000	35,000		109,000
1993	9,000	19,000	8,000	9,000	12,000	14,000	5,000	35,000		111,000
1994	9,000	19,000	8,000	9,000	13,000	14,000	5,000	35,000		112,000
1995	10,000	20,000	8,000	9,000	13,000	15,000	5,000	35,000		115,000
1996	10,000	20,000	8,000	10,000	14,000	15,000	6,000	40,000		123,000
1997	10,000	--	9,000	10,000	14,000	16,000	6,000	40,000		105,000
1998	10,000	--	9,000	10,000	14,000	16,000	6,000	40,000		105,000
1999	10,000*	--	9,000	7,000	3,000	17,000	6,000	40,000		92,000
2000	--	--	--	--	--	18,000	6,000	45,000		69,000
2001	--	--	--	--	--	18,000	6,000	45,000		69,000
2002	--	--	--	--	--	--	7,000	45,000		52,000
2003	--	--	--	--	--	--	7,000*	45,000		52,000
2004	--	--	--	--	--	--	--	50,000		50,000
2005	--	--	--	--	--	--	--	50,000		50,000
2006	--	--	--	--	--	--	--	50,000		50,000
2007	--	--	--	--	--	--	--	55,000		55,000
2008	--	--	--	--	--	--	--	55,000		55,000
2009	--	--	--	--	--	--	--	55,000		55,000
2010	--	--	--	--	--	--	--	60,000		60,000
2011	--	--	--	--	--	--	--	60,000		60,000
2012	--	--	--	--	--	--	--	60,000		60,000
2013	--	--	--	--	--	--	--	65,000		65,000
2014	--	--	--	--	--	--	--	65,000		65,000
2015	--	--	--	--	--	--	--	65,000		65,000
2016	--	--	--	--	--	--	--	70,000		70,000
2017	--	--	--	--	--	--	--	70,000		70,000
2018	--	--	--	--	--	--	--	73,000**		73,000
Total	\$208,000	\$372,000	\$179,000	\$201,000	\$273,000	\$348,000	\$138,000	\$1,828,000	\$3,547,000	
Original Issue	* Paid early									

** Early redemption of \$40,000 during fiscal year 1977
 See Accompanying Auditors' Report

NORTHERN MONTANA COLLEGE

HOUSING AND DINING SYSTEM BONDS OF 1972
 SERIES A THROUGH H
 SCHEDULE OF OUTSTANDING BONDS
 JUNE 30, 1979, 1978 and 1977

Series	Interest Rate	Final Maturity October 1 1998*	Original Issue 208,000	Bonds Outstanding			Bonds Outstanding			Bonds Outstanding		
				June 30, 1976		Redemptions Regular Early 5,000	June 30, 1977		Redemptions Regular 6,000	June 30, 1978		Redemptions Regular 6,000
				A	B	C	D	E	F	G	H	I
A	2-3/4%	1996	372,000	328,000	12,000	316,000	12,000	304,000	12,000	292,000		
B	2-7/8%	1999	179,000	162,000	5,000	157,000	5,000	152,000	5,000	147,000		
C	2-7/8%	1999	201,000	181,000	5,000	176,000	6,000	170,000	6,000	164,000		
D	3-1/8%	1999	273,000	245,000	7,000	238,000	8,000	230,000	8,000	222,000		
E	3-3/8%	2001	348,000	319,000	8,000	311,000	8,000	303,000	8,000	295,000		
F	3-1/2%	2002*	138,000	121,000	3,000	118,000	3,000	115,000	3,000	112,000		
G	3	2018	1,828,000	1,808,000	20,000	40,000	1,748,000	20,000	1,728,000	25,000	1,703,000	
H			3,547,000	3,342,000	65,000	40,000	3,237,000	68,000	3,169,000	73,000	3,096,000	

* Final maturity date is one year earlier than indenture
 agreement indicates because of early redemptions.

NORTHERN MONTANA COLLEGE

HOUSING AND DINING SYSTEM BONDS OF 1972
 SERIES A THROUGH H
 STATEMENTS OF REVENUES AND EXPENDITURES
 FOR THE YEARS ENDED

REVENUES

	JUNE 30, 1979	JUNE 30, 1978	JUNE 30, 1977
Donaldson Hall	13,700	12,750	6,400
MacKenzie Hall	73,831	77,725	75,319
Morgan Hall	93,593	95,236	77,535
Married Student Apartments	75,650	73,293	63,231
Centralized Food Service	334,597	356,405	320,794
Less cost of goods sold	<u>(119,812)</u>	<u>214,785</u>	<u>(114,671)</u>
Student Union Bookstore	160,585	168,718	164,891
Less cost of goods sold	<u>(119,215)</u>	<u>41,370</u>	<u>(144,375)</u>
Student Union - General	82,590	90,580	84,949
Student Union - Recreation	2,553	4,251	3,105
Northern Touring Company	1,658	2,224	
TOTAL REVENUES	<u>599,730</u>	<u>622,136</u>	<u>556,253</u>

EXPENDITURES

Donaldson Hall	12,234	19,772	5,814
MacKenzie Hall	84,288	76,003	63,468
Morgan Hall	89,127	74,719	67,307
Married Student Apartments	40,987	33,771	23,411
Centralized Food Service	151,178	124,285	133,288
Student Union Book Store	29,403	26,950	18,852
Student Union - General	48,311	38,055	45,360
Student Union - Recreation	4,068	5,735	2,830
Northern Touring Company	1,725	2,756	
TOTAL EXPENDITURES	<u>461,321</u>	<u>402,046</u>	<u>360,330</u>

EXCESS OF REVENUES
 OVER EXPENDITURES

138,409

220,090

195,923

ANNUAL EARNINGS

Actual	138,409	220,090	195,923
Required:			
Principal and interest	167,806	164,932	165,138
Renewal and replacement	<u>38,342</u>	<u>38,342</u>	<u>38,342</u>
	<u>206,148</u>	<u>203,274</u>	<u>203,480</u>
ACTUAL OVER (UNDER)	<u>(67,739)</u>	<u>16,816</u>	<u>(7,557)</u>

NORTHERN MONTANA COLLEGE

HOUSING AND DINING SYSTEM BONDS OF 1972
SERIES A THROUGH H
STATEMENTS OF CHANGES IN RESERVE FUND BALANCES
FOR THE YEARS ENDED

	JUNE 30, 1979		JUNE 30, 1978		JUNE 30, 1977	
	Bond Service	Repair and Replacement	Bond Service	Repair and Replacement	Bond Service	Repair and Replacement
Balances beginning of year	211,116	297,862	210,280	259,060	223,302	349,580
Fiscal year 1976 earnings that was not reflected in the June 30, 1976 ending balance	—	—	—	—	—	<u>11,492</u>
Balances beginning of year - adjusted	211,116	297,862	210,280	259,060	223,302	361,072
Increases:						
Transfer from Housing and Dining System earnings	168,806		165,768	15,000	192,116	33,117
Investment earnings	—	<u>39,107</u>	—	<u>23,802</u>	—	<u>26,061</u>
Total Increases and Beginning Balances	<u>379,922</u>	<u>336,969</u>	<u>376,048</u>	<u>297,862</u>	<u>415,418</u>	<u>420,250</u>
Decreases:						
Bond principal - regular	73,000		68,000		65,000	
Bond principal - early					40,000	
Bond interest	94,806		96,932		100,138	
Repair and replacement expenditures						
Total Decreases	<u>167,806</u>		<u>164,932</u>		<u>205,138</u>	<u>161,190</u>
Balances end of year	<u>212,116</u>	<u>336,969</u>	<u>211,116</u>	<u>297,862</u>	<u>210,280</u>	<u>259,060</u>
Balances end of year for as follows:						
Cash				15,031		859
Investments	<u>212,116</u>	<u>336,969</u>	<u>211,116</u>	<u>282,831</u>	<u>210,280</u>	<u>258,201</u>
Total	<u>212,116</u>	<u>336,969</u>	<u>211,116</u>	<u>297,862</u>	<u>210,280</u>	<u>259,060</u>
End of year account balances:						
Actual	212,116	336,969	211,116	297,862	210,280	259,060
Required	<u>211,116</u>	<u>383,418</u>	<u>210,280</u>	<u>383,418</u>	<u>210,280</u>	<u>383,418</u>
ACTUAL OVER REQUIRED (UNDER REQUIRED)	<u>1,000</u>	<u>(46,449)</u>	<u>836</u>	<u>(85,556)</u>	<u>-0-</u>	<u>(124,358)</u>

NORTHERN MONTANA COLLEGE

HOUSING AND DINING SYSTEM BONDS OF 1972

SERIES A THROUGH H

SCHEDULE OF BOND SERVICE AND REPAIR - REPLACEMENT RESERVE INVESTMENTS
JUNE 30, 1979, 1978 and 1977

	Par	Maturity	Yield	Book
	Value	Date		Value
<u>JUNE 30, 1979</u>				
U.S. Treasury Bills	15,000	7/5/79	9.456%	14,291
U.S. Treasury Bills	100,000	7/19/79	9.61 %	95,195
U.S. Treasury Bills	90,000	8/2/79	9.45 %	85,744
U.S. Treasury Bills	35,000	9/20/79	9.19 %	33,392
U.S. Treasury Bills	150,000	10/4/79	9.588%	142,809
U.S. Treasury Bills	10,000	10/11/79	9.378%	9,531
U.S. Treasury Bills	60,000	10/25/79	9.348%	57,195
U.S. Treasury Bills	40,000	11/1/79	9.626%	38,075
U.S. Treasury Bills	60,000	11/15/79	9.514%	57,146
1st National Bank, Helena, Savings Account # 473777	15,707			15,708
	<u>575,707</u>			<u>549,086</u>
Distributed:				
Repairs and Replacement Reserve				336,969
Bond Service Account				212,116
				<u>549,085</u>
<u>JUNE 30, 1978</u>				
U.S. Treasury Bills	50,000	6/30/78	6.432%	48,392
U.S. Treasury Bills	85,000	10/17/78	3.527%	82,002
U.S. Treasury Bills	10,000	7/13/78	6.424%	9,679
U.S. Treasury Bills	65,000	7/20/78	6.757%	62,804
U.S. Treasury Bills	35,000	7/27/78	6.641%	33,838
U.S. Treasury Bills	90,000	8/10/78	6.762%	86,957
U.S. Treasury Bills	155,000	10/5/78	6.764%	149,757
U.S. Treasury Bills	10,000	10/12/78	6.567%	9,671
Trust for short term U.S. Government Sec.				10,847
	<u>500,000</u>			<u>493,947</u>
Distributed:				
Repair and Replacement Reserve				282,831
Bond Service Account				211,116
				<u>493,947</u>
<u>JUNE 30, 1977</u>				
U.S. Treasury Bills	50,000	6/30/77	4.464%	48,884
U.S. Treasury Bills	10,000	7/14/77	4.556%	9,772
U.S. Treasury Bills	65,000	7/21/77	4.876%	63,415
U.S. Treasury Bills	35,000	7/28/77	4.874%	34,147
U.S. Treasury Bills	25,000	8/11/77	4.774%	24,403
U.S. Treasury Bills	55,000	8/11/77	4.861%	53,663
U.S. Treasury Bills	120,000	9/29/77	4.786%	117,128
U.S. Treasury Bills	85,000	10/6/77	4.865%	82,933
U.S. Treasury Bills	10,000	10/13/77	4.319%	9,784
U.S. Treasury Bills	25,000	11/10/77	5.188%	24,352
	<u>480,000</u>			<u>468,481</u>
Distributed:				
Repair and Replacement Reserve				258,201
Bond Service Account				210,280
				<u>468,481</u>

NORTHERN MONTANA COLLEGE

HOUSING AND DINING SYSTEM BONDS OF 1972
SERIES A THROUGH H
OCCUPANCY STATISTICS

	<u>Available Occupancy</u>	<u>1978-1979</u>		<u>1977-1978</u>		<u>1976-1977</u>	
		<u>Actual Occupancy</u>	<u>Percent</u>	<u>Actual Occupancy</u>	<u>Percent</u>	<u>Actual Occupancy</u>	<u>Percent</u>
Morgan Hall	256	197	77.0%	224	87.5%	189	73.8%
Women's Residence	200	117	58.5%	143	71.5%	154	77.0%
Married Student Housing	47	45	95.7%	46	97.9%	46	97.9%

RENTAL RATE

	<u>1978-1979</u>	<u>1977-1978</u>	<u>1976-1977</u>
Morgan Hall:			
Double occupancy	\$155	\$142	\$133
Single occupancy	140	130	122
Single (in double room)	190	175	163
Women's Residence:			
Double occupancy	155	142	133
Single (in double room)	190	175	163
Married Student Housing:			
One bedroom	150	140	140
Two bedroom	165	155	155

NORTHERN MONTANA COLLEGE

SCHEDULE OF INSURANCE COVERAGE
June 30, 1979

	Fire & Extended Buildings	Coverage Contents	Business Interruption	Other
*Donaldson Hall	679,200	39,200	8,500	
Pershing Hall	413,900	20,900		
East Hall	23,000	1,300		
Metals Technology Building	249,600	126,900		
Physical Plant Storage Building	33,800	10,500		
Auto Mechanics Building	246,900	91,600		
Cowan Hall	2,723,100	124,200		
Auto Body Shop	57,800	23,800		
Faculty House #1	48,000	600		
Three Tiber Homes 24' x 30'	31,500	800		
Four Tiber Homes 20' x 26'	33,000	1,100		
Armory-Gymnasium	1,682,400	59,400		
*Morgan Hall	1,227,900	78,500	62,533	
Faculty House #2	64,500			
*Student Union & Food Service	1,791,500	89,200	95,576	
*Married Students Apartment Unit 1215	201,300	6,300		
*Married Students Apartment Unit 1225	160,700	6,300		
*Married Students Apartment Unit 1230	261,800	7,800	33,288	
*Married Students Apartment Unit 1220	95,600	4,800		
*Married Students Apartment Unit 1210	192,800	7,800		
Physical Plant Building	134,500	36,600		
Math-Science Building	1,672,500	78,500		
Electronics Building	599,400	209,200		
Engineering Tech. & Industrial Arts Building	1,853,800	189,600		
MacKenzie Hall	1,586,700	23,800	50,220	
Motor Vehicle Storage Building	27,900	1,300		
Presidents Residence	102,000	1,800		2,000,000
Boiler Insurance				1,000,000
Comprehensive General Insurance (per occurrence)				1,000,000
Employees' Faithful Performance bond (per occurrence)				1,000,000
TOTAL	<u>16,195,100</u>	<u>1,241,800</u>	<u>250,117</u>	<u>4,000,000</u>

*Pledged as security on Housing and Dining System Bonds of 1972

See Accompanying Auditors' Report

AGENCY REPLIES



NORTHERN MONTANA COLLEGE

MONTANA UNIVERSITY SYSTEM
HAVRE 59501

BUSINESS OFFICE

November 27, 1979

Mr. Morris Brusett
Office of the Legislative Auditor
State Capitol
Helena, MT 59601

Dear Mr. Brusett:

Enclosed are the responses to the recommendations made by Galusha, Higgins and Galusha in their audit of the records of Northern Montana College for the period ending June 30, 1979.

If has been an enjoyable experience working with the staff of Galusha, Higgins and Galusha during the period of this audit. Those staff members on the audit conducted themselves professionally and with a minimum of disruption to our daily routine.

Most of the findings have already been corrected and we are working on the remainder. As the school further refines its use of the Statewide Budgeting and Accounting System our operations will become more efficient.

Please inform us of the meeting arrangements as soon as they are formulated, so that we may plan our schedules.

Sincerely,

A handwritten signature in cursive ink that reads "William R. Byars, Sr."

William R. Byars, Sr.
Director of Fiscal Affairs

WRB/ds

Enclosures

cc: John A. Richardson

RECOMMENDATION

We recommend that the College review their system of internal control in regard to the statements made above. When making this review, the basic theory that the cost of a system of internal control should not exceed the benefits derived.

Concur. A review will be made and those controls feasible will be instituted.

RECOMMENDATION

We recommend that written policies be established outlining specifically the procedures to be adhered to with regard to the services performed by students in this area. In addition we recommend that the accounting for this function be handled entirely by the business office. The written policies that we are recommending should address issues such as:

1. The detail accounting for the transactions from the "work order" stage to final payment by the customer for the services rendered,
2. Policy for granting credit to customers and mechanics for subsequent follow-up and collection,
3. Protection for the College from possible claims that may arise from damages attributable to faulty workmanship.

Concur. A formal policy has been established.

RECOMMENDATION

We recommend that schedules be set up which will reflect proper premium and discount amortization on a monthly basis and that entries be made monthly to properly adjust for this amortization.

Concur. The investments concerned are held by the Trustee of the Housing and Dining System Bonds. Periodic adjustments will be made to accurately reflect the status of the Trustee account.

RECOMMENDATION

We recommend that procedures be established to provide control of the purchase function in this area in order to maximize the use of College resources.

Concur. An inventory system is being established.

RECOMMENDATION

We recommend that the College:

1. Assign a value to the land received as a donation. The value should be the fair market value at the time of the gift.
2. Implement a complete property management control system. This will involve taking a detailed physical inventory and setting up perpetual records which should be updated and kept current at all times. All equipment should be tagged with a proper identification number to allow easy reference to the perpetual records. A physical inventory of property and equipment should be taken each year and significant differences reported to management for resolution.

RECOMMENDATION - Continued

3. An in-depth review should be made of all insurance currently in force to determine that the College is properly protected from possible loss due to unforeseen events.

Concur. All land will be recorded

Concur. Installation of PAMS will be started during Fiscal 80.

Concur. A review will be made with the State Department of Administration, Insurance and Legal Division.

RECOMMENDATION

We recommend that the duties to be performed in this area be reviewed and separation of duties be implemented in a manner which will improve internal controls. This could be accomplished by designating a person other than the payroll clerk or the cashier as the person to receive the warrants when they are delivered by the State. This person could compare the processed warrants to the final printout reviewing for completeness and accuracy, and finally distribute the warrants to the individual employees.

A review should be made of the present system for processing payroll warrants with the goal in mind of eliminating the need for the payroll clerk to hold warrants for payroll withholding pertaining to reports filed on a quarterly basis.

Concur. A review of workloads will be made with the purpose of reassigning duties to allow for separation of duties.

RECOMMENDATION

More care should be exercised in the maintenance and documentation of employee files. A check list which would detail the documents necessary for a complete and proper personnel file should be prepared and utilized as means to proper file maintenance.

Concur. More attention will be given to personnel files.

RECOMMENDATION

We recommend that all departments be required to adhere to adopted policies and procedures pertaining to travel or that alternative policies and procedures be set up.

Concur. An athletic travel report is now required on all Athletic Team Travel. All individual travel requires a travel authorization.

RECOMMENDATION

We recommend that the College comply with the terms of the indenture pertaining to annual audits.

Concur. Annual audits will be made.

RECOMMENDATION

Separate construction accounts should be set up to account for construction activity and the Housing and Dining System Renewal and Replacement Account should only be used as specified in the bond indenture.

Concur. Separate accounts will be established.

RECOMMENDATION

We recommend that the college:

1. Develop contingency plans to establish an alternate location for resumption of operations following an unforeseen problem rendering the present system inoperable.
2. Give priority to system documentation.
3. Establish a policy for off premise storage of important files, programs and documentation.

Concur. A personnel problem has been solved and the process for hiring a Data Processing Director has been initiated. Part of the Directors initial assignment will be to solve the problems listed.

RECOMMENDATION

We recommend that the College establish an allowance for doubtful accounts and recognize the bad debt expense related to uncollectible loans.

Concur. An allowance for doubtful accounts will be established and the bad debt expense recognized on the College reports.

RECOMMENDATION

Since the College utilizes an open-end note, we recommend that the College provide NDSL borrowers with a copy of the note at the time the exit interview is conducted. If borrowers leave the College without notice, a copy of the note should be mailed to them.

Concur. Our policy for handling exit interviews now includes giving the student a copy of the NDSL note.

RECOMMENDATION

We recommend that the College either develop its own system to monitor and evaluate the financial aid program or make use of the Office of Education's self-evaluation system.

Concur. We are including in our calendar of office activities for the year, a specific time in March of each year to complete the self-evaluation as recommended.

RECOMMENDATION

We recommend that the College establish procedures to contact each NDSL borrower at least three times during the nine month grace period as required by the Federal regulations.

Concur. We are presently contacting NDSL borrowers during the first 90 days of the grace and 30 days prior to payment. We are including in our procedures that the student will be contacted 180 days into the grace period.

RECOMMENDATION

We recommend that written procedures to establish and documentation be kept on file ensuring that the work performed by students under the CWS Program is properly supervised and in accordance with Federal regulations.

Concur. The financial Aid officer will prepare regulations for the work-study supervisors to ensure that proper assistance and supervision is being given to ensure compliance with federal regulations. These procedures will be given to the supervisors at least quarterly and will require their response to be placed in the student's file.

RECOMMENDATION

We recommend that the check pick-up signature card be placed in alphabetical order at registration time and filed in the student's financial aid file as soon thereafter as possible. Before subsequent awards are made, the Financial Aid Office should check the student's file to determine if they previously picked up a check before preparing the release form.

Concur. The Financial Aid office will secure from the Business Office after registration, all check pick-up cards. They will be filed in their financial aid file after registration and periodically during the quarter.

RECOMMENDATION

To strengthen internal control, we recommend that the financial aid officer review the eligibility of the participants and initial the status change memo before it is forwarded to data processing.

Concur. The financial aid officer will review and initial all status changes for deferment before they are forwarded to Data Processing.

RECOMMENDATION

A summary of NDSL activity does not provide the necessary information to reconstruct the College's records if they were destroyed. Accordingly, we recommend that a copy of the student loan ledger printout be kept in the Business Office's fireproof vault.

Concur. The Data Processing will make a second copy of the student loan printout and place it in the vault each month. In addition, the annual runoff of NDSL activities for the year will be kept in the vault at all times.

RECOMMENDATION

We recommend that the promissory note reflect the permanent mailing address of the borrower. This address should be obtained when the borrower signs the note.

Concur. We are now making certain that the last permanent home address is recorded on the back of each NDSL note at the time they first sign the note.

RECOMMENDATION

We recommend that management consider investing the excess cash in the NDSL Fund in interest producing securities. This would provide an additional source of funds for the College's share of contribution to the NDSL Fund.

Concur. All Federal Funds will be reviewed and if possible any excess funds will be invested.

GALUSHA HIGGINS & GALUSHA

HELENA, MONTANA

CERTIFIED PUBLIC ACCOUNTANTS
PCST OFFICE BOX 1699
ARCADE BUILDING
111 NORTH LAST CHANCE GULCH
HELENA, MONTANA 59601
TELEPHONE 406 442-5520

November 14, 1979

The Legislative Audit Committee
of the Montana State Legislature

The enclosed supplemental information including Schedules of Capital Projects and Full-Time-Equivalent Statistics were omitted from the Northern Montana College Audit Report dated November 14, 1979 which was previously issued to the Legislative Audit Committee. These schedules should be made a permanent addition to that audit report.

Our examination was made primarily to enable us to express an overall opinion on the basic financial statements of Northern Montana College for the fiscal year-ended June 30, 1979 which are presented in our report dated November 14, 1979. The supplemental information referred to above and presented hereinafter, although not considered essential for a fair presentation of financial position, results of current fund revenues and expenditures and changes in fund balances has been subjected to the audit procedures applied in the examination of the basic financial statements. In our opinion, this supplemental information is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

Galuska, Higgins and Galuska
GALUSHA, HIGGINS AND GALUSHA
Certified Public Accountants

NORTHERN MONTANA COLLEGE
SCHEDULE OF CAPITAL PROJECTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1979

	Spending Authority	ACTUAL EXPENDITURES For the Fiscal		
		Prior to July 1, 1978	Year Ended June 30, 1979	Total
Preplan New Library	20,000	2,669	17,331	20,000
Maintenance	47,500	-0-	9,457	9,457
Auto-Diesel Lab (Long Range Building Fund)	279,935	17,437	251,713	269,150
Water/Waste Water Training Facility	250,000	-0-	-0-	-0-
Auto-Diesel Lab (Local Funds)	60,000	-0-	54,382	54,382
Reroof Armory Gym	34,500	-0-	-0-	-0-
Total	<u>691,935</u>	<u>20,106</u>	<u>332,883</u>	<u>352,989</u>

NORTHERN MONTANA COLLEGE
SCHEDULE OF FULL-TIME-EQUIVALENT STATISTICS
FOR SPRING AND SUMMER QUARTERS OF
THE FISCAL YEAR ENDED JUNE 30, 1979

<u>Summer Quarter</u>		Total	Credit-hours Per FTE	FTE
		Credit- Hours		
Graduate		890	12	74
Undergraduate		4,858	15	324
		<u>5,748</u>		<u>398</u>
<u>Spring Quarter</u>				
Graduate		232	12	19
Undergraduate		<u>12,820</u>	15	<u>855</u>
Total		<u>13,052</u>		<u>874</u>

